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For a Nation of Intelligent Investors

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NOTE.—The reduced size and delay of one week in publication of this issue are due to difficulties in printing resulting from the printers' lockout. We shall do our best to get out future issues promptly, but the situation is still uncertain.

THE OUTLOOK

Position of the Rails—What Is a "Fair Return"?—Defects of Cummins Bill—Values and Earnings—The Coppers—The Market Prospect

THE general course of the stock market continues upward. Since the public now holds a considerably larger proportion of the supply of stocks than it did six months ago, it is natural that reactions should occur from time to time. On the other hand, the public seems to have plenty of money with which to handle its holdings.

There is an excellent demand for tax-exempt bonds, and the market for Liberties is higher, partly because of Government purchases. Offerings of new securities are well absorbed, although the offering companies find it necessary to make the yields relatively high in order to attract capital. Taxable bonds in general are also showing ability to rally. Many of them are selling at bargain levels, but it is still uncertain whether any important advance in these issues can be expected just yet.

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Position of the Rails.

RAILROAD stocks as a class are selling at panic prices—although, of course, without any of the ordinary characteristics of panic. Taking the average of 25 rails, the low of 1914 was 66; the low of 1917 was 52; the low of last August about 56, and the current level a little above 61. Since the beginning of 1918 railroad stocks have not been able to record any-

WE believe that the rails in general are now in a strong position, that the settlement of the entire railroad problem by Congress will be discounted in advance by a considerable rise in prices. For some time past holders of railroad securities have refused to sell on bear news. When prices will not fall on unfavorable news, they will rise on the first important favorable news. The bad news is out. The good news is still to come.

Some of the issues which should show good advances are Norfolk & Western, St. Paul common and preferred, the Rock Island issues, Reading, Atchison, Southern Pacific, Union Pacific and New York Central.

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thing more than temporary and moderate advances, which in each case have been lost again in the course of a few months. On the other hand, it is to be noted that no further declines have been shown, in spite of the numerous uncertainties in which the roads have been involved.

*Physical Values Play
Important Part*

AS pointed out in a special article in this issue, the physical value of the roads is likely to play a far more important part in their future than it has played in their past. Heretofore the "book value" of a railroad has been largely nominal and in many cases has been far from representing its actual or physical value. But all the plans now before Congress which seem to have any chance of adoption include the principle of a fair return on invested capital, and physical valuation is the only practical way of deciding what that invested capital is.

The amount of money originally invested in the roads has little bearing on their present value. Part of that money may have been thrown away, in which case it would be absurd to demand that the roads be permitted forever after to earn interest of the money thus wasted. But in other cases a small original investment may have been built up through careful management and the constant "plowing in" of earnings, and it would be equally absurd to restrict the profits of the road today to the interest on that small first investment.

Manifestly, no particular road can be guaranteed profits equal to a certain rate of interest on its present physical valuation. That would mean that no matter how poorly located or badly managed a road might be, it must still be guaranteed the same rate of interest in its appraised value as was guaranteed to the well located, well managed road—an evident absurdity.

A "fair return" may and should be guaranteed on the actual value of the roads of the country as a whole, and rates should be adjusted to produce such a fair return; but there is no just reason why a road which has never been able to earn that rate of return on its investment in the past should now be rewarded for past bad judgment or bad management by being pulled out of its hole by the Government.

On the above point all would be agreed. But curiously enough, in the Cummins Bill as it now stands this rule is not permitted to work both ways. The roads in each "Rate District" are to be permitted to charge rates which will furnish a fair return on capital in that district. These rates would by no means permit a weak road to earn as much on its capital as a strong road—but if the strong road earns more than the "fair return," the excess is to be taken away from it. On the average, therefore, the roads of each district would earn less than the proposed "fair return," which would manifestly be unjust to the owners of railroad securities.

*Increased Efficiency
Should be Rewarded*

IF poor management is to be penalized, good management should be rewarded. If there is to be no profit in good management, why should the owners and managers of a road seek to attain it. If there is no regard for increased efficiency, how can we expect it? Increased efficiency, increased production from the same effort, handling more traffic with the same labor, is the great goal of human progress. It is that which, in the end, permits the progress of civilization. It is incredible that Congress should be so short-sighted as to remove all motive for such progress, and we believe the Cummins Bill, if passed, will be amended in this particular.

The outstanding feature of the situation now is that the railroad problem is on the way to solution, and to a solution which will be fair to invested capital.

The price of railroad stocks may therefore be expected to anticipate this result. It would be rash to attempt any predictions as to just how this will be brought about or how long it will take but as to the eventual outcome we believe a high degree of confidence is warranted.

*Values Still Dependent
on Earnings.*

IT is clear that the value of any particular stock will be dependent on earnings, even though a fair return on all invested capital in the country or in a district may be guaranteed. Rates may be adjusted to give a fair average return to all; but under those rates the strong road will still earn more than the weak road and be worth more accordingly.

Nevertheless the weak road will benefit more in *proportion* than the strong road. Let us assume, for example, that one road, on current rates, is able to show a profit equal to 5% of its gross earnings, and another road 10%. If rates were raised 5%, the first road would be able to carry forward to net nearly 10% of its gross instead of 5%, while the second road would carry forward about 15% instead of 10%. Earnings of the weaker road would be doubled, while those of the stronger would increase 50%.

As the railroad legislation assumes a more definite form it may be possible to approximate the results for different roads. At present all that can be done is to call attention to the general principle.

* * *

*Coppers Should
Advance.*

THE copper stocks, like the rails, have been laggards in the market. Current demands for copper metal are moderate and stocks of metal on hand are abundant. Nevertheless the prospective requirements of the world for copper are big. A great deal will be needed for reconstruction in Europe; neutral nations were compelled, during the war, to delay work requiring copper, so that a considerable backed-up demand should come forward from them; and the constant development of the electrical industry will increase the use of copper the world over.

It is a fact often noted that copper stocks usually have their best advance relatively late in a general bull movement. This is because new construction—in which copper is an important element—does not become active until a period of prosperity is well under way. It is likely that the present market will be no exception to the general rule in this respect.

* * *

*The Market
Prospect.*

INCREASED activity and higher prices have naturally brought higher money rates in Wall Street, but commercial loans, the backbone of the money market, are still ruling at $5\frac{1}{4}\%$ for the best names, showing that there is no lack of business funds. So far there has been no indication of any such tension in money as would check the upward movement of prices.

There has been large public buying of the industrials and specialties, but the excess profits tax prevents the profit taking by wealthy holders that might otherwise occur, and the general public is so well supplied with money that the market does not show the weakness on reactions that has often characterized markets in which there was a big public interest.

As yet there is no indication of a culmination of the bull movement. On the contrary, probabilities favor a still bigger and broader market. Conservatism, however, should prompt buyers to favor those issues which have advanced the least, rather than those which are at the moment making the most spectacular demonstrations. The rails and coppers seem to us to afford the best opportunities for the placing of new funds at this time.

Saturday, October 11, 1919.

Physical Valuation and Guaranteed Return on Railway Investments

The Purpose of Valuation—Why It Is Essential—Advantages of a Guaranteed Return—What Kind of Guarantee Is Necessary?

By JOHN BAUER

NOTE—Mr. Bauer is a recognized authority on the subject of Railway Valuation. He is not only a practical railroad man, but has handled important work in this connection for the Interstate Commerce Commission. He was formerly a professor at Cornell, and is now conducting certain special investigations for the Public Service Commission of New York—Editor.

DURING the war there was a widespread demand for the discontinuance of the government valuation of railroads, which has been undertaken in accordance with the Railway Valuation Act passed by Congress and approved March 1, 1913. The demand was based on the patriotic grounds that the accountants, engineers and clerical forces were needed in connection with various war work, and that the valuation had ceased to be important.

The discontinuance had been actively urged before the railroads were taken over by the government, and was particularly emphasized afterwards. Luckily, however, the work was continued.

The purpose of the valuation was never clearly defined. The Valuation Act required the Interstate Commerce Commission to make an inventory of all the properties of interstate roads, to find the original cost of the property, the cost of reproduction, depreciation and other elements of value, to analyze the capitalization and to report the financial history of each company.

How the results were to be used, was not stated. Doubtless, they were intended for tax purposes, and more especially were to be available for rate hearings to determine the value upon which the companies are entitled to earn a return. But no definite purpose was set forth, and there was a possibility that the huge undertaking might not come to anything worth while.

Valuation Essential

The law has not been changed, and there is still no express purpose for the valuation. But recent railway developments indicate clearly that the

results will furnish the foundation of any permanent railway plan that has any considerable chance of adoption. Even if the railroads were simply turned back to their owners without any additional legislation, which is highly improbable, the valuation would still furnish the basis on which the companies would then be entitled to earn a return. In that event, however, the procedure would be uncertain, and a long time would elapse before a definite policy could be worked out.

Fixed Return

It seems, now, that the character of railway operation and finance has come to be well enough understood, and otherwise the developments have been such, that the ordinary risks of private enterprise will be removed and a fixed return on investment will be practically guaranteed to the owners of railway securities. Just how this will be done will depend upon the particular plan that may be adopted by Congress. The fundamental fact is, that huge sums will have to be raised during the next 10 years for improvements, extensions, and even for renewals of property. The funds cannot be raised unless the investment and return are made reasonably secure. But without going into the reasons and theories, experience has shown that there can be no such reasonable security unless there is practically a public guarantee of the return.

Nearly all the plans that have received extensive public discussion provide, more or less definitely, for a guaranteed return on investment, with the idea that rates shall be high enough to bring the return after paying oper-

ating expenses and taxes. Plans without such provisions have probably been devised without clear realization of the difficulty of otherwise safeguarding the return sufficiently either for fair treatment of existing investors, or to raise funds for future construction.

The plan of the railway security owners provides for private ownership and operation, but calls for a minimum rate of return fixed by Congress. Likewise the plan proposed by Mr. Walker D. Hines, Director General, provides for a fixed return. Mr. Paul Warburg has proposed that $4\frac{1}{2}$ per cent should be guaranteed on the federal valuation. All these plans contemplate private ownership and operation, but are based on a public guaranteed and minimum return on investment. A guarantee is provided also in the now famous Plumb plan, backed by the Railway Brotherhoods and understood to be approved in a general way by the American Federation of Labor, which provides for public ownership and one-third labor control of operation.

Minimum Return

The only plans which have received public discussion, and which do not provide for a fixed minimum return on investment, are those of the railway executives and the Interstate Commerce Commission. The latter, curiously enough, in spite of its great difficulties in the past, provides no change in the methods of rate procedure, but simply calls for "adequate" and "reasonable" revenues. Likewise, the railway executives make no suggestion as to how the reasonable rates shall finally be determined. But revenues, to be adequate and reasonable, would certainly have to bring a fair return on investment, so that the amount of the investment entitled to a return should at least be definitely determined and kept up to date as additions are made, so that the rights of the investors may be constantly before the rate-making authorities.

Apart from the specific plans that have been discussed, there seems to be almost a general feeling among financial interests, newspapers and students of railway economics that a minimum guaranteed return on investment will

have to be embodied in any practicable railway policy.

If this is true, then the question arises, how shall the amount of the return be determined? At present, the railway administration pays to each company the average net operating income for the three years preceding June 30, 1917. As a practical war measure, this was probably the most satisfactory immediate arrangement. It was reasonably liberal to the railroads, and at once freed the investors from all financial uncertainties so that the traffic could be freely shifted according to war requirements.

For permanent purposes, however, this basis of compensation would be unsatisfactory. It would be too rough a method. In many cases, it would make permanent an unreasonably high return, while in others, it would perpetuate an unduly low return. The desirable basis of compensation cannot be the more or less accidental income of three particular years.

Neither can the capitalization of the companies be used as the basis of a guaranteed return. While in general the total capitalization of the railroads may not be greatly in excess of the fair value of the properties, there would be great variation as between individual companies. In some cases, the capitalization could doubtless be used in justice both to investors and the public, but in others, the over-capitalization would be so great that, in fairness to the public, it would have to be reduced to a reasonable figure. Unfortunately, however, the records would not disclose the reasonable amount, nor would they show whether, in any case, the capitalization is excessive or not.

Fair Value

A guaranteed return would have to be used on the so-called fair value, which can be determined only by a physical valuation of the property. Various questions arise as to just what elements should be included in fair value, and the uncertainty would doubtless cause public discussion and litigation before a final determination could be made. But whatever the discussion or litigation, the valuations made by the Interstate Commerce

Commission should finally be taken definitely as the basis of return. After the valuations are completed, the results of each company should be taken on its books and used definitely as the basis on which return should be allowed. Then, as additional investments are made, they should be added to the original valuation, and should then be included in the amount on which return is computed. In this way, the books of the company would show constantly the amount of investment that is entitled to return, and the accounts would automatically disclose whether or not the stipulated return has been earned.

In the past, one of the chief difficulties in railway rate regulation was the uncertainty as to the amount of investment entitled to a return. The uncertainty should be cleared away once for all, so that after the valuation has been completed, the amount of the investment, either entitled to a return or with a guaranteed return, may be constantly kept up to date and shown by the accounts of the company and by the records of the rate-making authorities.

Importance to Investors

From the investment standpoint, the guaranteed return, based on definite values, would have very great advantages. There would be, above everything else, certainty. Interest or dividend payments would not depend upon a confused regulatory policy as in the past. It is true, that when in any case the valuation has just been fixed and accepted as the basis of return, previously existing security values may be destroyed; for the guaranteed return may be adequate only to pay interest and fixed charges, with little or nothing left over for dividends upon capital stock. The procedure, in any case, would probably be to apply the return, first, to interest on first mortgage bonds or securities with first legal claim upon property, then descend in order of priority, and finally use the residual for dividends to stockholders. While probably very few, if any, bonds would suffer, many stocks would be seriously scaled down, though others,

doubtless, would be enhanced. But after the readjustment, when the income of each class of securities has once been determined, all speculative elements would be removed, and railway bonds and stocks would become prime investments for savings banks and other fiduciary concerns. The owners would know definitely what they are entitled to receive and that they would get it—which is the essence of a prime investment.

The question is frequently asked whether funds for future extension and improvements may be raised if there is a guaranteed and limited return on investment. The answer, of course, is obvious. Funds can always be had if the necessary return is paid and the rate of return depends upon the certainty of payment. If, therefore, the adopted railway plan guarantees the return, there would never be any difficulty in getting all the desired funds at a rate of return but slightly higher than paid on direct government bonds.

The reason why railroads had difficulty in raising capital before the war was the great uncertainty of the return being paid. If the railroads should be turned back to their owners, without safeguarding the return, there would be again the same uncertainty and the same obstacle to getting funds for necessary purposes. But if the return is assured, there would be available all the capital required for railway purposes, practically at government rates—and the provision of new capital is the most important point in any railway plan that may be adopted.

A guaranteed return, as already stated, has been included in plans whether contemplating private or public ownership of the railroads. But in any event, the new funds to be devoted to railway purposes will ultimately be provided by private investors. To them it will make little difference, merely a matter of investment, whether they receive direct government or railroad securities, provided that they will get the return stipulated in the securities.

The point is, if we wish our railway plant to grow in proportion to public

needs, we shall have to straighten out, once for all, the tangle of railway investment; *either by guaranteeing the return, or by some other definite method, we must get certainty into railway finance.*

This means simply that people who furnish the funds will know definitely what they are entitled to receive, and what they will get. The starting point in establishing such a definite financial policy must be the physical valuation of the railroads, to determine the return that must be paid on existing investments. When this has been determined, sufficient additional funds will be available for all necessary purposes, if only the payment of return is sumciently assured.

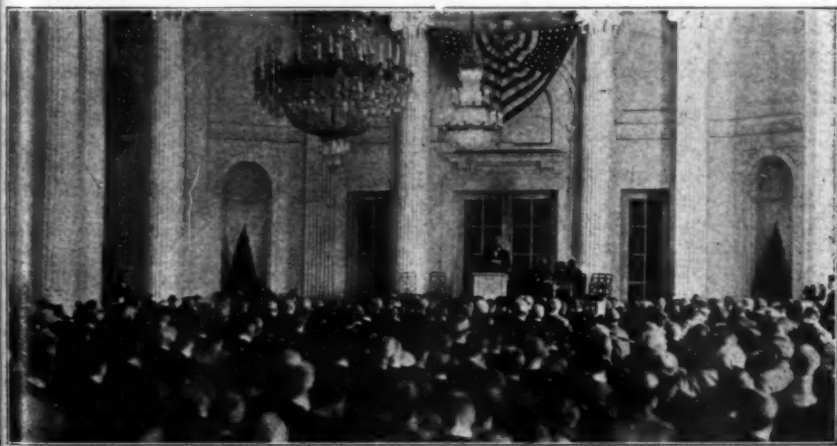
Kind of Guarantee Necessary

In conclusion, it seems worth while to point out particularly the kind of guarantee that is involved in the various railroad proposals. Apparently, none of the plans contemplate that the guarantee shall be supported by the treasury of the United States. They all seem to contemplate that the return shall be paid out of railway earnings, and assume that rates will be high enough to pay the return. But, if this is to be done, there will have

to be extensive consolidation of roads or complete unification. In the latter case, there is no doubt that the full return could be earned each year, and a guarantee would simply mean that the earnings of all the roads would be available to pay the return on all the roads. Likewise, if large regional systems were created to conform with existing traffic territories, there is little doubt but that each system could pay its own return without support from the others. But if the present companies were to be continued as independent operating units, many would undoubtedly fail in making the full return, however high the rates, and an independent guarantee would be of little value.

The lowest quality of guarantee that can reasonably be made, is the one based on regional consolidation. Each region presumably could effectively guarantee the return on its properties. In any event, however, the amount of the investment should be definitely determined and constantly shown by the books of the companies and by the records of the public authorities. For this purpose, the railroad valuation should be continued and pushed to the most rapid possible conclusion.

THE INDUSTRIAL CONFERENCE



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Secretary of Labor Wilson addressing the conference, which opened in Washington recently, and which, it is hoped, will find a way to end industrial unrest.

St. Paul As An Object Lesson

Its Past History Alive With Suggestions for the Far-sighted Investor.

By RICHARD D. WYCKOFF

IN one of the panics of the early nineties, I believe it was the Bar- ing Panic, a prominent furniture manufacturer of New York City, came down town to the stock brokerage office where I was employed. He was hunting for bargains, and it was my job to see that he was supplied with the statistical volume he required.

He spent day after day poring over the earnings and financial condition of the comparatively few companies whose stocks were then listed on the Stock Exchange, and as rapidly as he satisfied himself that this or that stock was cheap, he would give an order. I would 'phone it over to old Doc. Hewitt, our telephone man on the floor and our board member would execute it.

Within a few days he bought and paid for several thousand shares of stocks at panic prices, and having never seen him from that day, I had no means of knowing what profit he realized. But although that was nearly thirty years ago and I had not given him a thought since, he came into my mind yesterday as I was looking over the recent market action of St. Paul. If Geo. C. Flint, maker of Flint's Fine Furniture, is still living and happens to see this, I'll bet him a good dinner that he bought 500 shares of St. Paul within a point of 48 about 1890.

Lesson No. 1. Always buy in panics.

Perhaps the reason I was able to recall this incident with the stock and its price (although I have always had an uncanny memory for figures), was we in the office considered St. Paul a great bargain at 38, as it had always sold in the 70's and 80's, and just because there was a panic it was selling so far below its usual quotation.

And now with the completion of several market cycles, with a depression again prevailing in railroad stocks, we

again find St. Paul close to 40, although it has meanwhile risen to nearly 200 and for long periods ranged from 140 to 160, paying 7% and selling on a 5% basis or less.

Lesson No. 2. No matter how low or how high they go, in most cases the pendulum eventually swings the other way.

We cannot recall the vicissitudes of St. Paul without wondering how fared all those investors who pinned their faith to the stock as to the rock of Gibraltar, for owing to its former policy of non-expansion, the property became rich and smug. Other roads might sprawl themselves over the map, but not this high-grade property—this bulwark of savings banks and insurance company investment strength.

But the struggle for control of Northern Pacific in 1901 led to a new situation, wherein St. Paul found it necessary a few years later to build its own line to the coast and thus enter the field of speculative railroad operation. Then followed most of St. Paul's troubles. Its dividend was gradually reduced and its market value steadily shrunk until in 1918 it passed its dividend altogether and in February, 1919, it touched a low point of 34½.

Lesson No. 3. The most permanent thing about the market for a stock is its tendency to change.

Three classes of people were deeply concerned in this cycle from panic to pinnacle and back again. They were: (1) the group of capitalists who controlled the road, (2) investors who held the stock and (3) speculators who aimed to make a profit from its fluctuations. And it is interesting to go over its market action for the past thirty years in order to derive, if we can, some further lessons which may benefit us in future.

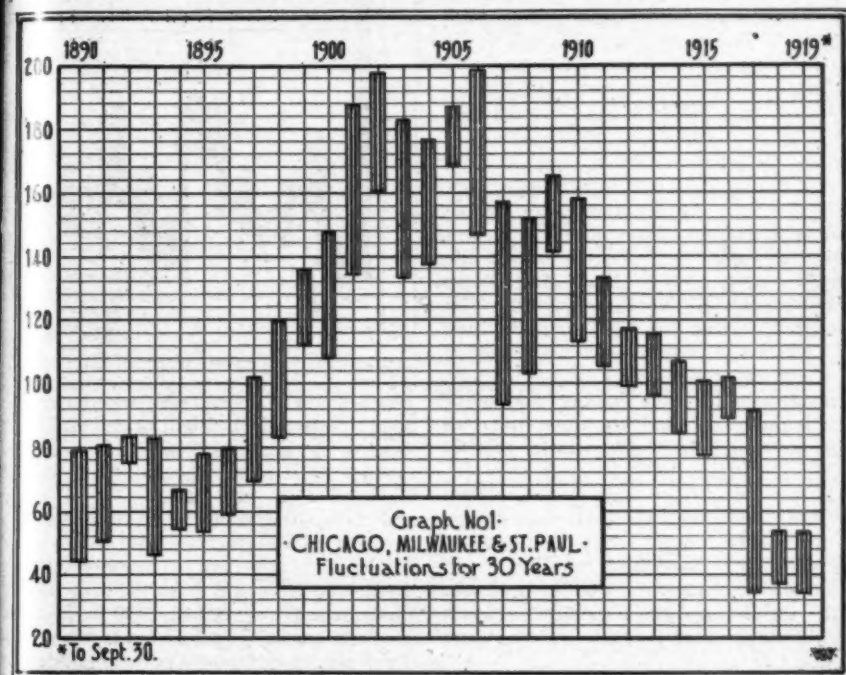
The capitalists who are most heavily interested in this property are among

the wealthiest and farthest sighted people in America. The stock has always been a favorite with them, and during the days of Rogers and Harriman, it was the medium of many a big campaign. It was not only a sound investment stock, but a speculative leader as well.

In 1916 the Harriman-Rogers and associated group of capitalists decided that Roosevelt's policy of anti-trust prosecution and railroad legislation was

But the proof that large operators are not infallible and that they frequently carry a considerable line of their favorite stocks even though they are bearish, is shown in the embarrassment of H. H. Rogers in the 1907 panic. At that time Mr. Rogers was obliged to protect his Virginia Railroad venture by borrowing on his secured notes, some of the collateral being St. Paul stock.

Lesson No. 5. Even information "from the throne" is sometimes wrong.



to bring about such loss of confidence on the part of investors that a collapse in values was inevitable. A secret meeting was held at Lakewood, N. J., for the purpose of deciding ways and means. At this conclave it was determined that a big market must be made on which distribution could be accomplished.

The result of this meeting was the raising of the Union Pacific dividend to 10% which furnished the spectacular incident so necessary to arouse public interest and outside buying.

Lesson No. 4. When the fireworks are put off it is time to sell.

The action of St. Paul since has been very significant, and to me very clear. I have no inside information, but I am certain, from observations covering many years, that the policy of the controlling interests in this property has been, marketwise, as follows: When lower prices were indicated a certain amount of St. Paul stock was sold. It may have been delivered "out of the box" or it may have been sold short through brokers while the original long holdings remained in the safe deposit box. When the decline brought the stock down to a level where the liquida-

tion seemed to be exhausted and the short interest was extended, the stock previously sold was reaccumulated, and perhaps a little more.

Lesson No. 6. Insiders can buy on decline because they sell on the bulges.

On the subsequent rally, brought about by short covering or favorable news, this stock was sold at a substantial profit. The amount then realized applied to the cost of the original holdings, reduced the cost thereof and this process repeated year after year has brought the original cost of the remaining long holdings down so low that it now stands at zero or under.

Lesson No. 7. You can be long and make money, even in a bear market, if you know how.

Without going back into market history, one can readily recall the difference between the action of St. Paul and other leading stocks. Neither New York Central, Atchison, Great Northern, Northern Pacific, Norfolk & Western or Southern Pacific has had so many five and ten point swings—so many sharp dips and rallies—as St. Paul. This notwithstanding the fact that a stock under \$50 is not supposed to move over as wide a range as those whose market prices are higher.

These indications may mean nothing to those who believe that the swings of the market result from the news, or the whims of the public, but they mean a lot to me because I find an intimate study of the market action of a stock furnishes the best forecast of its future course.

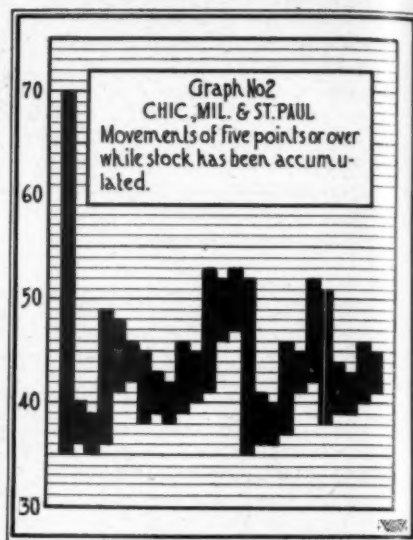
This being the case, it may be timely for now to examine the position of St. Paul with a view to determining, if we can, the present attitude of these large operators who have evidently profited in the past by the use of intelligent foresight. But first let us mark—

Lesson No. 8. Every stock has its characteristics, a study of which will be well repaid.

The graph of St. Paul which appears on page 1103 covers a period of thirty years from 1890 to 1919 (to September 30th inclusive). In the early part of this period it will be seen that St. Paul rarely got down below 50,

but this did occur in the panics of 1890 and 1893.

From that time forward there was a steady climb, until in 1902 the stock



reached 198¾. In 1906, when the big boom occurred in high priced railroad stocks, it made 199¾. The decline in the 1907 panic carried it down to 93¾, then a rally to 165¾ in 1909, and from that time a steady decline, until in 1917 it reached 35.

Although St. Paul common paid 7% dividends from 1902 to 1911 inclusive, this rate was reduced in 1912 to 5% and in 1915 to 4½%. Last year the dividend was discontinued both on the common and preferred.

The thirty year graph does not show the numerous fluctuations that have taken place in that period. It is intended to give a birdseye view and to show how it has apparently completed its downward trend, having remained in the range of this for the past two or three years.

Graph No. 2 showing the five point fluctuations from the time the stock began to decline from the 70-level, is much more instructive, for it tells how many of these small turns have been completed during the interval 1917 to 1919, and how, if advantage was taken

of all these swings, the cost of the stock would be vastly reduced.

To those who are able to interpret graphs of this kind, the position of St. Paul stock is shown to be a very strong one. The indications are that all of the liquidation which was brought about by the passing of the dividend and by difficulties in which the road found itself, owing to Government control, has been thoroughly completed and that it will take some new influence of even greater importance than the foregoing to drive the stock down in the low 30's.

The graph indicates that the large interests are willing to raise their buying prices in this stock and that the issue is rapidly approaching a point where the short interest is likely to be badly diminished because there will be little of the stock for sale; so much of it is in strong hands.

Lesson No. 9. In order to study a

stock, make a picture of its fluctuations.

It may take a considerable time for the affairs of the road to so mend themselves as to warrant higher prices and dividends, but the controlling factors in this great property are not people who operate with an eye to next week or next month. They look ahead for years. Taking all of these factors into consideration, it is the writer's opinion that St. Paul is an exceptionally desirable stock to put away with the same object in view. My idea would be to buy an equal amount of the common and preferred, and when the preferred resumes its dividends, as it probably will in time, the profits on these shares will be sufficient to greatly reduce the cost of the common stock. Then if that issue should eventually resume dividends, even a small distribution would show a very large yield on the resulting net price.

Lesson No. 10. If you would be a successful investor, study the methods of other big and successful investors.

SCIENCE SHOULD CURE LABOR ILLS

George E. Roberts, vice president of the National City Bank, suggested in an article recently that at the conference representing labor, capital and agriculture called by President Wilson it would be well to take up for careful consideration a book on the "Wealth and Income of the People of the United States," by Professor Willford I. King of the University of Wisconsin. Mr. Roberts said:

"Professor King says that the quantity of goods turned out absolutely limits the income of labor, and after a careful calculation of the nation's production concludes that if all rent, interest and profits were eliminated and added to wages the latter would not at the outside be increased over 25 per cent. But the elimination of these would leave nothing in industry to finance growth and development."

Mr. Roberts then quotes Professor King: "It would seem improbable that, with our present national productive power, any feasible system of distribution could increase the average wage-earner's income in purchasing power by more than one-fourth, and this is an extreme rather than a moderate estimate. While such a change might or might not be desirable, it would at least work no startling revolution in the condition of the employes of the United States. The grim fact remains that the quantity of goods turned out absolutely limits the income of labor and that no reform will bring universal prosperity which is not based

fundamentally upon increasing the national income. After all, the Classical Economists were right in emphasizing the side of production in contradistinction to that of distribution. Nature refuses to yield her bounty except in return for effort expended. Demands for higher wages have never yet unlocked her storehouses."

Commenting further on Professor King's deductions, Mr. Roberts says:

"These conclusions are pertinent to this whole industrial and social situation which the conference is to consider. If they were generally accepted, they would clear the atmosphere and change the tone of current discussion. The attitude of wage earners toward their work would be altered and production would be increased.

"President Wilson in his recent letter of reply to the railroad brotherhoods said that what was wanted now was not heat, but light. The best thing the Washington Conference can do is to recommend the appointment of a competent commission to examine the facts upon which Professor King has based the above conclusions, and report whether the King conclusions are sustained.

"What is wanted is a demonstration of the fact that the distribution of the social product is not a mere matter of selfish struggle, but determined by economic law; that it is impossible for capital to exploit labor in any general sense, because the very efforts of capitalists to increase capital accomplish increasing distribution to labor."

Bonds Which Are Likely to Advance

Can Now Be Bought With Money of Low Purchasing Power—
Good Yields Combined With Excellent Possibilities
For Appreciation

By GEORGE S. HAMMOND

THE bond market has shown such small, fleeting glimpses of strength, and such a persistent proclivity for lower prices, during the last few years that it requires considerable courage for anyone to attempt to say: "prices are at the bottom. By all means buy now."

Several times, notably when the war came to an end, it was easy to be led into the error of believing that the turn for the better had come. But each time quotations again eased off, with the demand slight.

Notwithstanding the discouraging behavior of fixed interest bearing securities, it appears from the best evidence available that we are now near, if not actually at, the point where the direction of the price curve must turn.

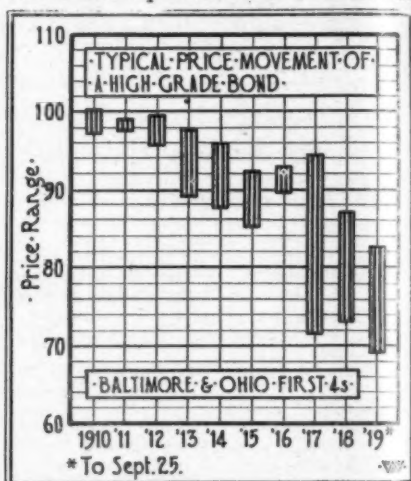
Without attempting any learned treatise on the outlook for the bond market, I think it may be worth while to give a brief outline of just a few of the outstanding facts which one might expect to have an early effect upon it.

Perhaps the principal and a very obvious consideration is that government financing—exclusive of short time certificates of indebtedness, the use of which has recently been curtailed—has been completed, and that the unprecedented strain on the money market from that source will no longer raise the interest rate on corporate securities. In fact, about three-quarters of a billion dollars of the Liberty Loans have already been retired and the great pyramid of government debt will gradually taper downward in the years to come.

The retirement of government bonds will release funds for other purposes. Having been invested in the world's best security, it is likely that these funds will be converted in large degree into conservative bonds. Particularly significant is the very steady appreciation of the various Liberty Loans in the last few weeks.

We find, too, that the spiral of commodity prices is beginning to sway a bit in its ascent. Perhaps the causes of their climb are too world-wide and too deep-rooted to make any sudden tumble either possible or desirable. None the less, it seems to be generally agreed that we are now at about the peak, and that this adverse influence upon the worth, in terms of purchasing power, of the return from fixed rate securities has already done its worst.

Fabulous industrial profits, incident to this rise in commodity prices, have lured both speculative and investment



funds into securities of this type. Let the margin of profit show an unmistakable declining tendency, and this money will scurry for the protection afforded by the more conservative bonds.

We have heard a great deal about the need for vast loans to European nations for commercial purposes. These loans would absorb a large part of our loanable funds and tend to keep interest rates up. Thus far, however,

there has been but little in the way of foreign issues actually forthcoming. The question may even be raised whether or not it is desirable, either for the European nations or ourselves, that there should be, except to provide the means of payment for the most pressing necessities. In any event, we may be sure that nothing really comprehensive will be undertaken until the bankers feel confident that conditions are such as to make the absorption of the loans assured.

Industrial requirements have been very heavy as manufacturers have adjusted their plants to meet increased higher cost of goods making up the raw material and supplies. As long as business continues good, there will be a continuation of this demand for funds

The uncertainty attaches more immediately to the interests of the stockholder than to those of the bondholder, and there is no more reason today than there has ever been why the most careful investor should not purchase the better grade railroad bonds with absolute confidence. On the contrary, he has very special inducements, which may vanish within a few years, to buy now, for he can secure on thoroughly high grade, underlying issues a return which would have been difficult to obtain on the junior bonds, or even the stocks, not so many years ago.

As a concrete example of this fact, I have selected the ten issues which appear in the accompanying table. The average return amounts to about 6 per cent. Before describing them, let us

Issue	Maturity	High Since 1908	Present Price	Yield
Baltimore & Ohio First 4s	1948	102	70	6.25%
Canada Southern Consolidated 5s	1962	106 $\frac{1}{8}$	87	5.80%
Central Pacific Gold 3 $\frac{1}{2}$ s	1929	93 $\frac{1}{4}$	82 $\frac{1}{2}$	5.85%
Chicago Rock Island & Pacific Gen. 4s	1988	102 $\frac{1}{4}$	72	5.60%
Kansas City Southern First 3s	1950	75 $\frac{1}{4}$	54 $\frac{1}{2}$	6.45%
Mobile & Ohio First 6s	1927	125	100 $\frac{1}{2}$	5.95%
New York Central Debenture 4s	1934	96 $\frac{1}{2}$	80	6.00%
Norfolk & Western Divisional 4s	1944	95	75 $\frac{1}{2}$	5.90%
St. Louis Southwestern First 4s	1989	95	64 $\frac{1}{2}$	6.20%
Wabash First 5s	1939	114 $\frac{1}{2}$	90	5.85%
Averages		100.56	77.65	5.98%

in greater or less degree, but we find the banks generally able to provide for their customers' requirements without difficulty and at this writing, in the midst of the crop moving season, money is comparatively easy.

In connection with railroad bonds, the investor faces not only the general conditions affecting money rates, but the particular uncertainty surrounding this industry. Of all the plans for railroad control which seem likely to receive the slightest consideration, the Plumb Plan is the only one which fails to recognize the right of the owner to a fair return, and even Plumb's proposal of confiscation of a part of the value of railroad property would, in the main, leave the bonds unaffected. This much seems certain.

make a few generalizations in order to show how thoroughly excellent the security is, despite the liberality of return.

In the first place, every bond included therein is secured either in whole or in part by a first mortgage, with the exception of the New York Central 4s of 1934, and every one, without exception, covers indispensable mileage in some way. Every bond is the obligation of a solvent company, is followed by one or more junior issues, and, with the exception of the Wabash and St. Louis Southwestern bonds, by dividend paying stocks. Most of them are quite active and the balance enjoy a ready, if not broad market for moderate amounts.

Upon any test of value—earning power, physical valuation, or what-not

short of Bolshevism—these bonds are thoroughly good. The investor who finds himself in funds with which to buy them to-day is obtaining one of the few absolutely honest bargains which are offered in any line.

He is giving up dollars of little purchasing power for securities bringing in a large immediate return, with the very best chances of substantial appreciation in dollars and in the future purchasing power of his principal.

Brief Descriptions of Bonds

BALTIMORE AND OHIO FIRST 4s cover by direct or collateral first lien 560 miles of important line, and also very valuable terminal properties. By second lien they cover 1,076 miles additional. Though subject, as regards this mileage, to \$75,000,000 prior lien 3½s of 1925, they are followed by \$123,250,000 of General and Refunding 5s and Convertible 4½s, or between a third and a fourth of the total debt. The Baltimore and Ohio has not done particularly well in recent years, but there is a big equity for the underlying bonds.

CANADA SOUTHERN 5s cover by first lien 367 miles of road, including the important double track main line of the Michigan Central system between Windsor and Suspension Bridge, Canada. The Michigan Central leases the road at a rental of bond interest and dividends of 3 per cent on the \$15,000,000 capital stock. Though the rate per mile is \$59,100, the road carries a heavy traffic and is vital to the Michigan Central, which, by the way, earned nearly twice its government rental in 1918. The growth of traffic has been enormous.

CENTRAL PACIFIC 3s constitute a first mortgage on the enormous federal land grants of the company and are also a junior mortgage on 1,342 miles of road. They are guaranteed, principal and interest, by the prosperous Southern Pacific Company, which has reduced its annual interest charges while its business has grown rapidly.

CHICAGO, ROCK ISLAND & PACIFIC GENERAL 4s are an exceptionally desir-

able security, being secured by first lien on 3,252 miles of the system, including all of the most valuable lines. The rate per mile is only \$26,782. They are followed by \$94,941,000 Refunding 4s of 1934, which were undisturbed in reorganization and constitute nearly one-half of the total debt. Under government control the Rock Island earns its total charges one and one-half times, and charges exclusive of interest on the Refunding 4s nearly two and one-half times.

KANSAS CITY SOUTHERN FIRST 3s are another clear cut first mortgage and cover the entire property, 823 miles of road, including equipment, terminals, etc. The rate per mile is \$36,452. The Kansas City Southern operates the shortest route between Kansas City and the Gulf of Mexico. The First 3s are followed by \$18,000,000 Refunding 5s. Under government control, interest charges were earned 1.55 times, and exclusive of interest on the Refunding 5s, about three times, in 1918.

The company's earning power is not large, but it is steady and a substantial surplus is being accumulated.

MOBILE & OHIO FIRST 6s are an old mortgage, dated 1879, and closed at \$7,000,000. They cover by first lien 472 miles of road from Mobile, Ala., to Columbus, Ky., constituting the greater part of the main line of this important subsidiary of the Southern Railway. The rate per mile is only \$14,830. The bonds are followed by \$1,000,000 Extension 6s of 1927 and \$9,472,000 General 4s of 1938, these two issues amounting to one-third of the total debt. The company's earning power affords the underlying issues a liberal degree of protection.

NEW YORK CENTRAL 4s of 1934 are secured equally with the Consolidation Mortgage by a direct lien on 1,822 miles of road in the State of New York. While there are several liens prior thereto, these bonds have a substantial equity in the \$40,000,000 Refunding 4½s, \$100,000,000 Convertible Debenture 6s and \$15,000,000 Notes. The dividend record has been remarkable.

NORFOLK & WESTERN DIVISIONAL

FIRST LIEN AND GENERAL 4s cover practically the entire property and have a first lien on 227 miles. Though subject to \$60,262,500 prior liens, they have an enormous equity in the property, the total debt being relatively very light. Under government control fixed charges were earned nearly five times over, and a return of less than 2 per cent on the property account is sufficient to pay all bond interest.

THE ST. LOUIS SOUTHWESTERN is by no means the strongest of the roads whose securities are included in the list, but the \$20,000,000 First 4s cover nearly the entire system at a rate of only \$16,278 per mile and are followed by \$33,459,250 of junior obligations. This makes the first mortgage equal to only about 36 per cent of the total mortgage debt. The standard return gives the company an income under government control equal to over one and one-half times total charges. The interest on these bonds is covered

about three times over, and it is scarcely conceivable, should the St. Louis Southwestern fail, that the first mortgage would be affected.

WABASH FIRST 5s are a thirty year old bond, secured by a first lien on 1,476.5 miles of road, including practically all the main line from Detroit and Toledo to St. Louis and Kansas City. The per mile rate of \$22,630 is decidedly conservative for a road operating in this populous section. The Wabash has to meet very heavy rentals for the use of equipment, as it is poorly supplied with its own rolling stock, and for trackage rights over other lines, required to enable it to reach important points. The margin of safety for the total debt is, therefore, comparatively small, but the \$33,900,000 First 5s are followed by \$14,000,000 Second 5s and never showed any market weakness throughout the long receivership.

WHERE A GAS WELL BLEW OUT



This hole, which is 300 feet across and of unknown depth, was made by the blow-out of a well near Corpus Christi, Texas, controlled by the Guffy Company, two and one-half years ago. Debris was hurled for twenty miles. After blowing out it caught fire and lit up the country for miles around so that it was possible to read a paper by the light at night in Corpus Christi, eight miles away. The well is now owned by the Corpus Christi Light & Gas Company.

Current Bond Offerings

Briefly Discussed and Analyzed

ISSUE	MATURITY	OFFERING PRICES	YIELD TO MATURITY
Government and Municipal:			
xState of South Dakota Rural Credit 5s.....	1920-39	100.25 @ 103.80	4.70% a.
xChatham County, Ga. Gold 4½s.....	1920-49	96.02 @ 99.76	4.75 a. d.
State of Oregon Highway 4½s.....	1929-44	100	4.50 a.
State of Utah Roads 4½s.....	July, 1939	99½	4.53 a.
xState of Vermont Gold 4½s.....	1920-49	99.50 @ 99.90	4.30 a.
City of San Antonio 5% Bonds.....	1920-59	100.19 @ 103.54	4.80 a. d.
xCity of Los Angeles Water Works 5s.....	1919-36	100.03 @ 102.33	4.80 a.
Railroad:			
xAtlanta Terminal First 6s, Series A.....	Aug., 1939	100	6.00 b.
Public Utility:			
xAmerican Telephone & Telegraph 3-Year 6s....	Oct., 1922	99½	6.25 e.
Kentucky Utilities First Lien 6s, Series A....	Sept., 1924	95.34	7.00 b. e.
Public Service of Northern Illinois 6% Notes..	Se., 1922	98	6.75 b. e.
Eastern Dakota Electric First 6s.....	Nov., 1927	97	6.50 e.
Industrial:			
xA. O. Smith Corporation 5-Year 6% Notes....	Oct., 1924	97½	6.70 b.
xGeneral Phonograph First 7% Notes.....	1920-24	95 @ 100	7 @ 7.24 b.
Raritan Refining Participating 7s.....	Aug., 1929	95	7.70 e.
Union Fuel First Sinking Fund 7s.....	1921-31	100	7.00 d. g.

(a) Exempt from Federal income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal, State and Municipal taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in \$1,000 and \$500 denomination. (e) Available in \$500 and \$100 denominations. (f) Exempt from State and local and from Federal normal income tax. (g) Without deduction from Federal income tax up to 4% so far as is legally permitted. (x) Discussed in text.

AMERICAN MUNICIPALS. All high-grade. Yields show rather wide variation, but all issues are attractive, especially those giving greater returns, excepting where bonds needed for special requirements. Issues legal for savings banks' and trustees' investments in a number of Eastern states and legible to secure postal savings deposit at figures close to their market and par values. State of Dakota 5s issued by Board of Rural Credit Commission, but bonds are stated to be obligation of State. \$300,000 due each October 1 from 1930 to 1938, inclusive, and \$875,000 on October 1, 1939. Chatham County 4½s free from taxation in Georgia for state, county and city purposes. State of Vermont 4½s, tax exempt in Vermont. City of Los Angeles 5s, an obligation of Municipal Improvement District No. 1, which embraces an area of 5,500 acres within corporate limits of Los Angeles. District supplies water from Los Angeles Aqueduct to one of the finest residential sections of the city.

ATLANTA TERMINAL 6s. Bonds a direct obligation of the Atlanta Terminal Company and will be secured by a first lien on the entire property of the company, which owns and operates a modern passenger station, located in the business district of Atlanta and represents an investment of \$1,722,000. Principal and interest guaranteed jointly and severally by endorsement by the Southern Railway, Central of Georgia and the Atlantic and West Point R. R., which with the S-aboard Air Line and Atlanta, Birmingham and Atlantic use the property. The guarantor corporations each own one-third of the capital stock of the terminal property, and are obligated to use it exclusively to handle their passenger business in and out of Atlanta. Considering strong security, which generally attaches to bonds of this type, high yield makes this issue attractive.

AMERICAN TELEPHONE & TELEGRAPH 6s. Notes issued to provide for expected growth in business of the Bell Telephone system. During past nine years net earnings have averaged more

than 5% times total interest charges, although bonded debt has increased considerably in recent years, bringing margin of safety for interest charges somewhat below average. Book value of property as of December 31, 1918, \$1,142,815,341, and capital obligations conservative. Property well maintained and management of very high caliber. A strong short term issue, but yield not very attractive. Offered to amount of \$50,000,000.

A. O. SMITH CORPORATION 6s. Notes are direct obligation of corporation, the largest manufacturer in the world of pressed steel automobile and motor truck frames. Interest charges earned on average of 10 times over in each year of the past three fiscal years ended July 31, 1919, and for the last fiscal period, 12 times. Company has no bonded debt aside from this issue, and no funded debt having priority can be created during life of these notes. Net quick assets must at all times be maintained at more than 250% of outstanding notes. Total authorized and issued, \$3,300,000. A minimum sinking fund of \$250,000 annually beginning October, 1922, to retire or purchase notes at 103 down to 101, according to period elapsing between calling date and maturity. A very attractive short term issue.

GENERAL PHONOGRAPH 7s. Corporation is being organized to acquire the entire business and assets of a number of established, though not well known companies, in the phonograph supply line. Company will be the largest manufacturer of phonograph supplies in the U. S. Proceeds to be used to retire all mortgage indebtedness of the Otto Heineman Phonograph Supply Co., to complete the construction of a new factory and to provide additional working capital. Issue secured by first mortgage on all the assets of the company, now owned or hereafter acquired, which at present are about twice the amount of bonds authorized and issued. Interest charges earned with good margin, undoubtedly based on earnings of combined companies.

Liberty Bonds the World's Best Investment

By CARTER GLASS, Secretary of the Treasury

NO group of men in the United States measured up to the test of the great war more admirably than did the bankers. The success of the United States Treasury Department in floating over \$21,000,000,000 in Liberty Bonds and Victory Notes during the past two years was due in no small measure to the patriotic co-operation of the banks. They took a most active part in each of the loan campaigns. They subscribed generously for themselves, made loans to their customers in order that they might buy bonds and sold bonds on installments to accommodate those having small savings.

In other words, the banks did everything possible to promote the sale and distribution of government securities. The banker can render an equally great service in reconstruction, co-operating with the government in its movement to teach the people of the United States the lessons of sound finance and of wise investment. In promoting this cause the banker will aid his institution and the financial situation in general at the same time.

The more generally the people of the United States absorb our government securities the greater will be the ability of the commercial banks to devote practically all of their resources to furnishing adequate credit to the commerce and industry of the country. Providing short time credit to commerce and industry is their normal peace-time function. The sale movement of farm crops, manufactured products, and all other commodities, as well as the continuous and efficient employment of labor, in fact, the whole industrial process will be promoted by permitting the commercial banks to devote all their resources to this function.

The people of the United States should therefore be encouraged to save and pay off their installments and borrowings on bond collateral as rapidly as possible and also to purchase additional government securities as issued from time to time.

If this is done the people of this country will be benefited in a two-fold way. In saving to pay their loans and installments and also in order to buy additional Liberty Bonds and notes, treasury Savings Certificates and War Savings Stamps, they will refrain from waste and unnecessary expenditures and



A Wisely Feathered Nest

thus free material and labor, for the production of commodities which are now so desperately needed the world over.

At the same time they will be strengthening themselves financially. No one can do better than to make a substantial proportion of government securities the foundation of his investment fund. Nothing else will give such sound and unflinching support to his entire financial structure and at the same time yield such excellent returns.

The less one can afford to risk his funds, the less time he has to devote to his investments, and the less experience he has had in the things which are daily affecting the values of ordinary bonds and stocks, the larger should be the proportion of his funds invested in securities which need practically no attention, which are acknowledged by all to be absolutely safe, and yielding satisfactory return.

Purchasing Power of Securities

The H. C. of L. Has Hit the Investor Harder Than it Has the Workman—Are Present Industrial Stock Prices Inflated?—Position of Bonds

By OWEN ELY

WE are still measuring the prices of our stocks and the dividends on them in dollars, regardless of the fact that those dollars will buy only about half as much of other things as they would buy before the war.

We have had to readjust our ideas about the real value of the dollar in accordance with its purchasing power. As we are accustomed to say, a dollar today will not go as far as a dollar in 1913.

Shall we not have to make a similar readjustment of our ideas about the real

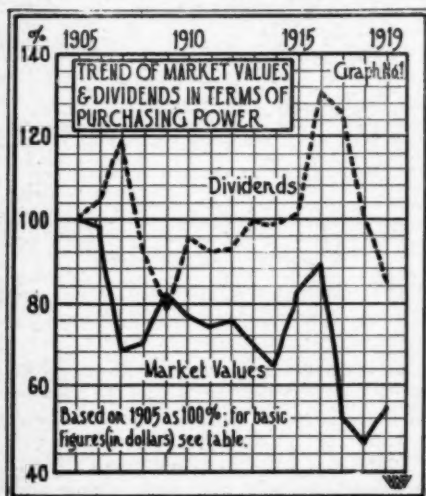
war—lower, if anything, even in dollars, to say nothing of purchasing power. But industrial prices and dividends are higher in dollars; are they higher in purchasing power?

Industrial Stocks Should Make Best Showing

The accompanying table is based on a compilation of average market values and dividend records for twenty industrial common stocks. Many of these stocks represent companies organized in the "trust-building" period, the best instance being U. S. Steel, and originally there was little equity back of these stocks except "good will" and future earning power. No dividends were paid during the early history of many of these companies, but all except two are now dividend-payers.

Certainly the holders of these industrial stocks should show the greatest profits enjoyed by any group of investors over a period of fifteen years, yet the figures show that in terms of actual "purchasing power" these stocks have declined about 50 per cent during the past fifteen years.

In these times of rising prices, wage increases, etc., the average reader is assumed to be familiar with the theory of index numbers as roughly indicating the purchasing power of the dollar. The index numbers which appear in the table are those compiled by Dun's Review based on monthly wholesale quotations of 300 commodities for July 1st of each year, each commodity being weighed by a figure representing its relative importance in the family budget. (These results of course do not include house rentals, but as the latter seem to be rapidly "catching up with the procession" the figures are sufficiently accurate for our purpose.) In column 2 of the table appears the purchasing power of the dollar, based on conditions in 1905. In



value of our stocks and our dividends, as distinguished from the quoted or dollar-value?

To put it a little differently, an \$8 dividend will today buy a pair of shoes—perhaps; in 1913 it would buy two pairs of similar shoes. To keep even, the investor today should get a \$16 dividend where he got \$8 in 1913. This would make this stock sell twice as high—in dollars.

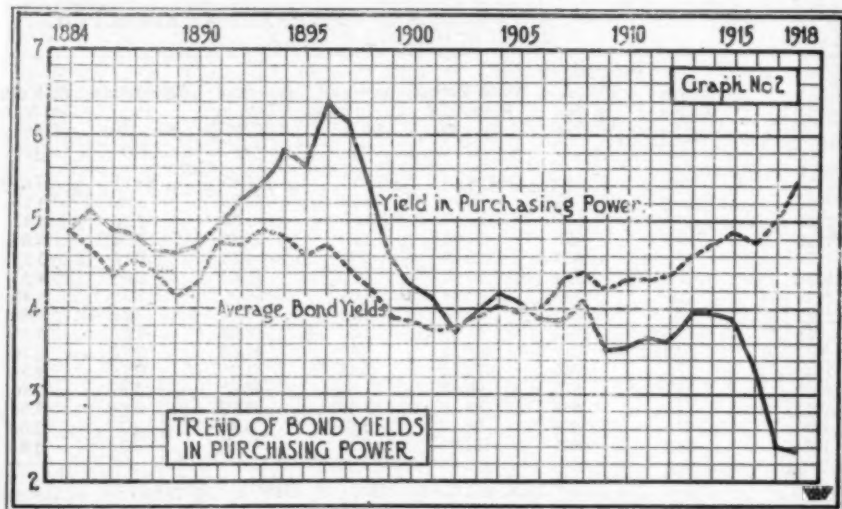
Every one knows that railroad securities are no higher today than before the

other words, assuming that a dollar bill in 1905 would pay for a given amount of each of the 300 commodities, the percentage shown for each year following indicates what proportion of that group of commodities (taken as a unit) the dollar bill would buy at that time.

In the next two columns appear the average market values of stocks and the average dividends paid thereon (both in dollars). During the years 1905-1909 inclusive, fifteen industrial stocks are represented in the averages; in 1910-11, seventeen stocks; and from 1912 to 1919 twenty stocks. It was found impossible to carry all the twenty stocks back to

percentages in column 2). In order to reveal the "trend" of these figures, they have been converted into percentages for each year, based on 1905 as 100 per cent, and are shown in graph 1. It will be noted that the average stock was worth \$74.40 in 1905, compared with a purchasing power value of \$34.40 in 1917 and \$41.10 in 1919—a decline of 45 per cent in 15 years. (If present market values rather than the average for 1919 should be used this depreciation would, of course, be somewhat reduced.)

The question naturally arises as to whether a continued rise in the market would be justified by the deflated stock



1905, as several companies were organized since that date, and prices for other stocks were not available. Had it been practical to compile figures back to 1896, more interesting results might have been obtained. The change in the number of companies will not affect the trend to any great extent. The market price for each year was taken as the average of the high and low sale prices; figures for 1919 represent high and low to September 20th.

Great Decline in "Purchasing Power"

In columns 5 and 6 the market values and dividends are reduced to a "purchasing power" basis (the figures in columns 3 and 4 being multiplied by the

values indicated by these figures. The answer to such a query is that stock values are dependent upon dividends, present and prospective, as well as upon the demand and supply of capital.

The graph reveals that dividends in terms of purchasing power have remained fairly constant throughout the pre-war period; in 1916-17 war prosperity yielded large dividends, but in 1918-19 the sudden decline in purchasing power forced them back to the old level, and made 1919 the lowest in a decade. The average dividend "purchasing power" in 1905 was \$2.73 and that of 1914 was \$2.72. It seems probable that next year, with labor prob-

lems out of the way, dividend payments will be at least restored to the levels of 1905, 1914 and 1918.

Bull Market Restoring "Deflated" Values

The last column in the table indicates the ratio between the market value and the dividend, these figures being independent of the changes in purchasing power of the dollar, as both stock values and dividends are equally affected by such changes. For 1919, the table indicates a return of 5.64 per cent, compared with 3.67 per cent in 1905, and 5.04 per cent in 1913.

The present market prices, even at

when the country woke up to this fact, a panic resulted—with the result that the ratio rose from 4.15 per cent to 6.43 per cent. In 1908, dividends had been reduced to a normal basis and the ratio dropped to 4.80 per cent.

From a study of these figures, it may safely be said that when stocks show an average return of less than 4½ per cent they are due for a decline, and when the average runs above 5 per cent they are due for an advance. The change may not come at once, but eventually the averages will assert themselves. On this basis, assuming that dividends for 1920 will be better

INDUSTRIAL STOCK VALUES AND DIVIDENDS AS AFFECTED BY PURCHASING POWER

Years	Dun's Index Numbers	Purchasing Power of the Dollar	Aver. Value Industrial Stocks	Average Dividends Paid	Average Value in \$ of 1905	Dividends in \$ of 1905	% Return on Value of Stocks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
1905	\$98	\$1.00	\$74.40	\$2.73	\$74.40	\$2.73	3.67%
1906	105	.933	78.20	3.25	73.00	3.03	4.15
1907	114	.860	59.10	3.80	50.80	3.27	6.43
1908	108	.907	57.90	2.78	52.50	2.52	5.80
1909	119	.824	73.80	260	60.80	2.14	3.52
1910	119	.824	69.90	3.15	57.60	2.60	4.51
1911	118	.831	66.40	3.04	55.20	2.53	4.58
1912	122	.803	70.60	3.17	56.70	2.55	4.49
1913	116	.845	61.50	3.10	52.00	2.62	5.04
1914	120	.817	58.50	3.33	47.80	2.72	5.70
1915	125	.784	78.10	3.55	61.20	2.78	4.54
1916	145	.676	98.50	5.31	66.60	3.59	5.40
1917	212	.462	84.10	7.45	38.90	3.44	8.84
1919	234	.419	98.10	6.56	34.40	2.76	8.02
1918	233	.421	81.60	5.53	41.10	2.32	5.64

the termination of a long bull market, would therefore seem to be justified by the comparatively high income ratio and the prospective increase in dividends for 1920. The depressed stock values in 1917-19 were largely due to government demand for capital, which diverted all surplus funds from the regular channels of investment and speculation. The present bull market seems, therefore, to be rather a return to normal values than a process of inflation like that which took place in 1906, 1909 or 1912.

A study of the table will make this point clear. Market values in 1905-06 were highly inflated on the basis of dividend return, and the dividends paid were not justified by earning power;

than in 1919, a continuation of the present bull market would seem to be in prospect—though temporary set backs are quite possible. Of course, it is true that the present bull market has only a few more months to run, provided it corresponds with the history of other bull markets in recent years (see Magazine of September 13th, page 980); nevertheless, it must be emphasized that present conditions are radically different from those attending previous markets. It seems possible, therefore, that the bull market may extend well into 1920, unless there is another violent advance of the character of February-July. All this, of course, on the premise that labor troubles do not prove insoluble, which is unlikely.

PURCHASING POWER OF SECURITIES

Bond Prices Show Great Decline

The condition of the bond market is somewhat different from that of the stock market. The trend of bond yields is indicated in Graph II, based upon figures compiled by the Babson Statistical Organization.

The bonds included were necessarily changed from time to time, but the net result should fairly indicate the trend of bond yields in this country. (It is necessary to show the yield rather than an average of bond prices, inasmuch as the latter are affected by the differing maturing dates of the individual bonds—this factor, however, being automatically reflected in the yield.) It must be borne in mind that bond yields differ from dividends. However, we are justified in applying the purchasing power of the dollar to the yields, as is done in Graph II.

This indicates conclusively that the investor who has held bonds for a considerable length of time has been consistently losing since 1905. The graph indicates that from 1896 to 1903 there was a continuous decline in purchasing power, followed by a small recovery in the boom period of 1903-05. From that time up to 1915 the rate was fairly constant, averaging about 3¼ per cent, but since that time it has rapidly fallen to 2.36 per cent.

For every \$100 invested in a typical long-term bond in 1884, the purchaser received a yield income equivalent to \$4.87; but this \$100 bond if held till 1918, could only be then sold at a market price corresponding to a yield of \$2.36 (in terms of the dollar of 1884). In other words, the bond had depreciated about one-half in actual value.

The decline from 6.40 per cent in 1896 to 3.97 per cent in 1914 and 2.36 per cent in 1918, as indicated in the graph is a startling one and readily ex-

plains why new issues at the present time command such a high rate of return as compared with those of former years. The investor of today, warned by the decline in values of the old securities, demands a high rate of return on his investment. He doubtless feels that he must be insured against a future discount of his investment if the present tendency of rising prices and declining purchasing power should continue.

The actual yield has risen from 3.95 per cent in 1905 to 5.48 in 1918; and this is at least 1 per cent above the normal average. The demand for capital has been so great that the investor has been able to get the high rate of return which he demanded in new securities, and this has depressed bond prices in general. It is impossible to predict the course which commodity prices will take, but the best opinion seems to be that a gradual decline (though not, perhaps, beginning at once), is inevitable as inflated war currencies are slowly returned to something like a normal basis. With falling commodity prices, the previous trend will be reversed, and the bond holder should be able to recover some of the loss experienced in the past 25 years.

New investors today who intend to hold their securities for five or ten years or longer, would therefore seem to have an excellent opportunity to invest now in long-time high-yield securities. They can combine safety of principal with a high return obtained continuously over a long period. While the yearly interest return is slightly less than the yield (which includes the discount as an annuity), the holder can realize the full yield at any time by selling the bond and taking his profits, as the price should increase automatically as the year of maturity nears.



Bethlehem Adds to Earning Power

Prospects for Steel and Shipbuilding Favor Capacity Operations
in 1920

By ARTHUR C. WATT



STEEL and shipbuilding represent two of the more important industries that are evidently going to experience another period of prosperity within the next few years, at least, and one of the principal beneficiaries should be the Bethlehem Steel Corporation.

As a steel concern, Bethlehem is rated second to the giant United States Steel Corporation. As a shipbuilding organization, it ranks first, having, from the entry into the war of the United States to the close of 1918, delivered about 22 per cent of the merchant shipping output of the entire country. In addition, it delivered sixteen submarines to the Navy Department and twenty-six torpedo boat destroyers, or, according to the company, "more than half the deliveries by all the shipbuilding plants of the country, and launched and fitted out for delivery early in 1919, thirty-six additional destroyers."

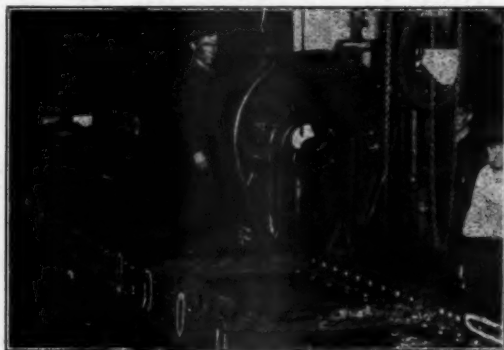
The shipbuilding plants recently were officially reported to be operating at full capacity on orders placed during the war and little difficulty is expected about securing new business before work now in process and orders on the books are completed. Although the steel plants as a whole have been operating at about 60 per cent capacity, the company's confidence in the future is indicated by its plans involving expenditures of \$32,000,000 this year for plant extensions, etc., which will add to the big earning power which has already been established.

As a Peace Concern

Bethlehem was incorporated in December, 1904, with a capitalization of \$30,000,000, consisting of \$15,000,000, 7 per cent non-cumulative preferred and an equal amount of common. A steady growth in earnings was made and in practically the five years preceding the war (1910 to 1914 inclusive), average earnings on the common were approximately 16.1 per cent, a marked increase having been shown in 1913 and 1914, in spite of unsatisfactory conditions then prevailing in the steel trade. Mr. Schwab's alertness in securing big war contracts from foreign countries right after the war broke out, however, resulted in value of orders on hand amounting to \$46,513,190 as of December 31, 1914, compared to \$24,865,560, for the previous year or an increase of about ninety per cent. Increases of large proportions followed up to the end of 1918, as shown by the following figures:

1915	.....\$175,432,895
1916	..... 193,374,348
1917	..... 453,808,759
1918	..... 328,946,065

The jumps in figures after 1916, were due, of course, to war being declared by



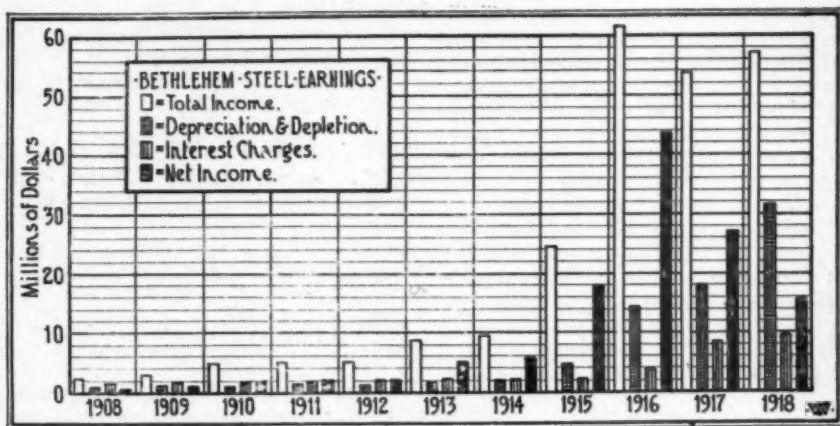
Pinching Rims on Steel Beams.

this country in April, 1917, and the placing of government contracts. As the company's productive facilities and work-

ing capital were inadequate to properly handle this added volume of business, the capitalization was adjusted in 1917, by the creation of a \$45,000,000 issue of so-called "Class B" common stock (without voting power), \$30,000,000 of which was distributed as a stock dividend and the remainder sold to net the company close to \$15,000,000. In October, 1917, additional capital was secured by the issue and sale of \$30,000,000 of 8 per cent cumulative preferred stock, convertible into Class B common, share for share upon payment of \$15 per share in cash. In order to provide for this

000 of Class "A" bonds, which represents that proportion of a \$500,000,000 issue authorized in August, 1918, to provide means of consolidating the funded debt of the corporation and its subsidiary companies and to provide for any future financing of extensions and improvements that might be deemed necessary.

In July, 1919, Bethlehem redeemed \$7,500,000 of its \$50,000,000 note issue and in addition, anticipated payment of the instalments due July, 1920 and 1921, amounting to \$15,000,000, thereby leaving \$27,500,000 outstanding. \$7,500,000 of this amount is due in July 15,



conversion privilege an addition of \$30,000,000 in Class B stock was authorized.

Funded Debt

Funded debt consisting of bonds and notes had increased as follows since December 31, 1915:

1915	.....	\$31,099,000
1916	.....	68,590,000
1917	.....	132,938,000
1918	.....	143,956,967

Of the amount shown for 1918, \$50,000,000 represents an issue of 5 year serial 7 per cent notes, which provided funds for the payment at maturity (February 15, 1919), of a previous issue amounting to \$50,000,000. The super-seeding note issue is secured by \$70,000,-

1922, and \$20,000,000 matures July 15, 1923. The company has no other short time securities of a large amount, but such as are now outstanding will undoubtedly be refunded at the first favorable opportunity by means of the \$500,000,000 of consolidated mortgage, 30 year 6 per cent bonds referred to above.

Property account was shown at a valuation of \$72,891,000 on January 1, 1914. Up to January 1, 1919, this asset had grown to \$182,598,787—an increase of \$109,707,787, or a fraction of more than 155 per cent. In this period, \$98,884,700, or approximately \$160 a share on the 594,480 shares of common stock was charged off against earnings and set up as a reserve for depreciation, amortization, relining of furnaces, etc.

Charges against profits in 1918 were especially severe owing to the necessity of amortizing plant and equipment assets installed for war purposes. A goodly portion of these assets can undoubtedly be converted to normal commercial uses in which case their actual working value is in excess of their book value. Net working capital on December 31, 1918, was \$80,145,490, or more than six times what it was in 1913, while ratio of current assets to current liabilities was a little better than two to one, at the end of 1918.

Earnings

Earnings on the common amounted to 32.6 per cent in 1914; 112.5 per cent in 1915, and 286.3 per cent in 1916. In 1917, after increasing capitalization by a new issue of \$45,000,000 of common and \$30,000,000 of 8 per cent preferred in addition to other financing, etc., 43.2 per cent was earned on the entire amount of common stock outstanding and 17.98 per cent was earned in 1918. Earnings for 1919 are estimated to be running at the rate of at least 20 per cent, a large part of which represents accrued revenue from shipbuilding operations. Surplus earnings during the five years ending December 31, 1918, amounted to approximately \$144 a share on which about \$130 a share was set aside for additions to working capital and property account. Equities behind the common stock of at the close of 1918 gave it a theoretical book value of around \$205 a share. Since then it is estimated that \$10 per share has been added.

Interest charges have risen very rapidly. In 1918, these amounted to \$9,748,013, compared to \$2,212,374 in 1914, or an increase of approximately 450 per cent, which is in excess of any earnings reported prior to 1915. Unlike steel companies, like U. S., Republic, Crucible, Lackawanna, etc., who were in position to finance their expansion from war earnings and without recourse to additional stock or bond issues, Bethlehem has financed a substantial part of its growth through additional capital flotations. This action was necessary owing to the rapidity of its expansion and the pressing needs of larger working

capital during the war when the element of time was paramount to all other considerations.

Development of Bethlehem productive facilities on a war basis most naturally was at a relatively high cost, but the company has written off a large proportion of the values represented by "price inflation" and undoubtedly it will charge off another substantial amount this year owing to the final adjustment of certain war contracts.

During the last five years, the steel industry as a whole has so increased its normal productive capacity that the question arises as to whether there will be a sufficient volume of commercial business available within the five years, for example, to maintain operations on the former scale. When one considers the enormous amount of capital destroyed by the war and the construction projects held back in this country, South America, etc., for nearly five years, however, it seems that the principal problem will be one of supplying the demand rather than one of finding a market, consequently earnings should continue to be large for an indefinite time.

Owing to the extremely important part played by Bethlehem Steel during the war, it is reasonable to suppose that the company will be favored on foreign contracts (other things being equal) placed in this country. The company also has reached the stage where it is in position to participate on a more advantageous basis on the allotment of steel orders for domestic purposes.

Outlook for Securities

Bethlehem 8 per cent cumulative preferred now selling at around \$114¼ with an indicated yield of about seven per cent is convertible into Class B common (the active trading issue), on the basis of share for share upon payment of \$15 a share in cash. The 8 per cent dividend has been paid regularly on this issue since January, 1918, and earnings that year were about six and one-half the dividend requirements. Earnings this year are understood to be at least equal to those in 1918, on which basis, the 8 per cent rate is rea-

sonably assured for some time to come. Being convertible into Class B common, the 8 per cent preferred has an added speculative element which may prove very valuable. This issue has no voting power.

The 7 per cent preferred stock (which is non-cumulative, but has voting power, shares equally with the 8 per cent preferred in a distribution of assets), is now selling around 105 on which basis annual yield is $6\frac{1}{2}$ per cent. Owing to the conversion privilege of the 8 per cent preferred, the 7 per cent issue is not quite so attractive, although equally safe. On January 23, 1919, the directors of the company declared the full 8 per cent and 7 per cent dividends on the preferred, for the entire year.

The common stock is divided into two issues, the Class A shares being without voting power, but otherwise sharing equally in the dividends. Rate on both issues was 10 per cent in 1918, when about 18 per cent was earned on the outstanding stock. In January, 1919, the common was placed on a 5 per cent regular annual basis with an extra of $1\frac{1}{4}$ per cent being declared for the quarter and three-fourths of 1 per cent was declared in April. About August 1, the regular quarterly dividend of $1\frac{1}{4}$ per cent was declared and in explaining the reasons

for omission of the "extras," it was officially stated that such action was deemed expedient at the time in order to conserve the corporation's resources against the somewhat uncertain future. As a strike vote then was about to be taken by the labor unions, it is thought that the directors were governed largely in their dividend action by the uncertainty about a possible shut down in the industry with its consequent adverse effect upon earnings. This condition up to the present writing has lost most of its seriousness.

The recent rise in the market prices of the stock indicates a more optimistic view of a settlement of the labor situation in a satisfactory manner and as important foreign trade problems are believed to be now on the way to solution, large orders for steel products may soon be placed. Bethlehem obviously should receive its share, at least, of this foreign business and with excellent prospects of the Peace Treaty being ratified and the railroad situation being cleared up, plans for reconstruction work here and abroad can proceed in earnest. These factors also favor the continuance of liberal earnings for both the steel and shipbuilding ends of Bethlehem facilities, and may later warrant resumption of extra dividends on the common stock.

GARY AT STRIKE INVESTIGATION



Copyright by Underwood & Underwood, N. Y.

This view shows Judge Elbert H. Gary explaining to the Senate Labor Committee which is investigating the steel strike that his guiding principle in dealing with the workers has been the maintenance of the open shop.

Bright Outlook for American Locomotive

Stock at New High Record—Prospects for Big Foreign Orders—
Income from Securities \$5 a Share

By JACOB STOLLIN

A FEELING of disappointment, almost dismay, succeeded the pleasant anticipation aroused in the minds of stockholders of American Locomotive when, after cheerfully observing the splendid results which had been achieved in the fiscal year recently ended, they came to that part of the annual report which mentioned unfilled orders, and which stated that the immediate outlook for the company was rather gloomy.

These stockholders realized that the stock market always discounts the future, not past results, and it was feared by some that the splendid record earnings which had been piled up during the war might be followed by a period much reduced in earning power.

But whatever disturbed feelings were at first aroused in the minds of stockholders, it was soon convincingly proved, as evidenced by rising quotations for American Locomotive to new high record levels, that the shrinkage in unfilled orders to \$16,034,678 on June 30, 1919, as compared with \$74,736,543 a year earlier was not as bad as it appeared to be on the surface; that the need for equipment both here in this country and abroad is great; and that, therefore, the outlook for the company was unimpaired.

Expect Heavy Foreign Orders

The strength in American Locomotive is predicated not only on its splendid showing during the fiscal year just

ended, but far more because of the expectation that, when once the domestic requirements for equipment begin to be taken care of, the demand thus evidenced should be sufficient to greatly increase orders on the company's books; and the large amount of foreign orders which even now are being offered, when once ways and means are devised for financing such orders, should ultimately provide American Locomotive and other equipment companies with enough work to keep plants busy at least a year or two, and probably longer, for it takes considerable time to manufacture locomotives.

American Locomotive is negotiating with the Belgian Government for an

TABLE I.
EARNINGS AND DIVIDENDS

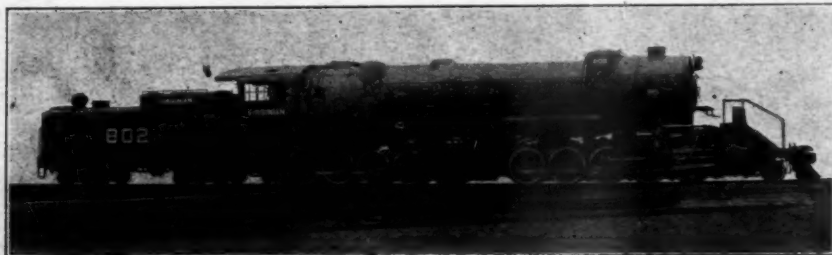
	Common		Preferred	
	Earned	Paid	Earned	Paid
1910.....	\$1.34	None	\$8.34	7%
1911.....	7.26	None	14.26	7%
1912.....	0.47	None	7.47	7%
1913.....	17.74	None	24.74	7%
1914.....	1.30	None	8.30	7%
1915.....	*12.96	None	*5.96	7%
1916.....	36.08	1¼%	43.08	7%
1917.....	21.80	a6%	28.80	7%
1918.....	16.64	5%	23.64	7%
1919.....	41.05	b5%	48.05	7%

*Deficit.

a Includes extras of 1% to Red Cross.

b Now paying annual rate of 6%.

order for four hundred locomotives, which would involve about \$20,000,000.



Giant Locomotive Built By American Locomotive Company for Heavy Traffic on Virginia Railway.

and it is said that the company stands ready to accept payment in the form of five-year treasury notes of the Belgian Government, payable in New York in gold dollars. Such an arrangement eliminates the risk in foreign exchange rates, the Belgian franc now being worth only a little over 60 per cent of its normal value. American Locomotive probably would have no difficulty in discounting such notes through bankers here.

A plan for the formation of a banking corporation to finance foreign equipment

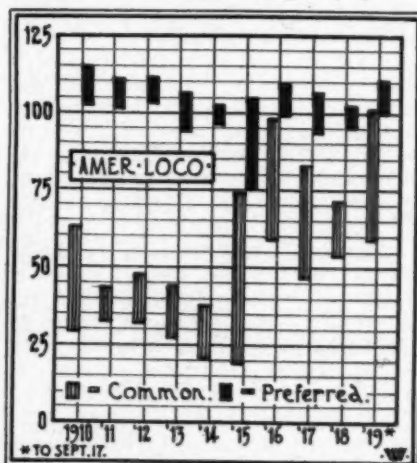
revealing as it does the wide fluctuations from year to year. Only as recently as 1915 the common stock sold down to a low of 19. In the same year it touched a high of 74¾. In the boom of 1916 it sold up as high as 98¼. That was when American Locomotive had made its previous best showing, earning more than \$36 per share. Yet now, after having earned \$115 per share on the common stock during the past four years, out of which a comparatively small amount was disbursed in dividends, the common stock is selling not very far above the 1916 high.

In 1915, the preferred stock, upon which a deficit had been reported, sold as low as 75. It is interesting to note, however, as an indication of the high grade of the preferred stock, that in every single year, not even excepting 1915, a price higher than par was always reached. Going back a little farther than is shown in the graph, American Locomotive preferred sold higher than par during every year except 1901 and 1903, and the highest market prices touched in those two years were not much below par.

Big Earnings, Small Dividends

The phenomenal earnings of American Locomotive during the past four years are in marked contrast with the small dividends being paid, as well as with the poor showing during 1914 and 1915. As is shown by a glance at Table I, showing earnings and dividends on the common and preferred stocks, a substantial deficit was reported on the preferred stock in 1915 and the deficit on the common in that year amounted to nearly \$13 a share. Its poor showing then was due in part to the entrance of the company into the automobile manufacturing business, an experience which ultimately proved disastrous.

In the last four years American Locomotive common has earned \$115.57, out of which only \$17.25 per share was disbursed in dividends, the remainder, \$98.32, being plowed back into the property. American Locomotive started dividends back in 1902, at the rate of 2½ per cent annually, which was increased to 5 per cent in the following year, then



orders is now being formulated by leading equipment companies, one of which is the American Locomotive Company, and while specific details are not yet available, satisfactory progress is reported. All equipment concerns have indicated their desire to co-operate in the extension of credit to foreign countries, so that in the very near future foreign orders for equipment ought to be forthcoming.

Price Has Nearly Doubled

Since the issuance of the remarkable annual report American Locomotive common stock has advanced sensationally to the highest price in its history, to nearly twice its low price touched early in January. A glance at the accompanying graph showing high and low prices of the preferred and common stocks, during the past ten years, is interesting,

reduced to $3\frac{3}{4}$ per cent in 1908, and passed in 1909. Nothing was paid on the common stock from then until 1916, when $1\frac{1}{4}$ per cent was disbursed. The stock was in the following year placed on a 5 per cent annual basis, and early in August of this year the rate was increased to 6 per cent annually.

There is so much talk nowadays about increased cost of operating and diminishing margin of profit that, when one comes to a report actually showing decreasing expenses and increased margin of profit, it is indeed a pleasant relief. And that is what American Locomotive revealed

TABLE II—INCREASED MARGIN OF PROFIT

	Gross	Operating Income	Margin of Profit
1910.....	\$32,203,392	\$2,597,949	10.5%
1911.....	40,649,385	4,122,870	12.7
1912.....	30,449,452	2,331,904	11.0
1913.....	54,868,175	6,826,484	14.6
1914.....	29,987,438	2,562,252	12.0
1915.....	9,303,298	*1,142,602	*1.09
1916.....	59,316,016	11,070,434	21.6
1917.....	82,213,845	9,599,191	13.7
1918.....	80,588,071	10,229,505	12.6
1919.....	108,923,000	17,353,000	15.9

*Deficit.

in its annual report. Gross earnings in 1919, by far the largest in the history of the company, increased over \$28,000,000 to a total of \$108,923,000, and yet out of each dollar of business done expenses consumed only 84.1 cents, leaving a margin of profit of 15.9 cents. Table II is especially interesting, revealing as it does that in the 1919 fiscal year—a period during which most companies whose gross business increased showed more than corresponding increases in operating expenses—American Locomotive actually succeeded in increasing the margin of profit. Indeed, except in 1916, when the margin of profit was 21.6 cents on every dollar of business done, last year's showing in this respect was the best in the history of the company.

The Outlook

Since the outbreak of the war American Locomotive has very substantially increased its working capital, this amounting at the end of the last fiscal year to \$35,508,423, or \$142 per share on the \$25,000,000 common stock. The

annual report for the 1919 fiscal year, in addition to the phenomenal earnings of \$41.05 per share on the common, revealed that the company had cash, securities of the United States, Canadian Government bonds, and Railroad Administration certificates of indebtedness, amounting to \$33,269,909, or equal to \$133 per share on the common stock, far in excess of its present market price.

Since the issuance of the annual report the Railroad Administration has secured an appropriation from Congress, and on July 15, the certificates of indebtedness, which amounted to \$26,102,218, were paid off. As this money, added to the cash already on hand, was far more than enough to enable the company to meet immediate needs, American Locomotive liquidated all loans payable, which in the annual report amounted to \$7,535,000, and purchased \$23,500,000 U. S. Treasury $4\frac{1}{2}$ per cent certificates. Indeed, on July 15, American Locomotive had surplus funds in United States Government and Canadian Government securities to the extent of \$28,086,000 (more than enough to retire the preferred), from which an income during the year would amount to about \$5 per share on the common stock. During the year the inventory account was reduced from \$25,411,815 to \$11,018,309, the latter figure being about normal. This reduction in inventory removes the possibility of heavy loss in materials through deflation of prices. The substantial reduction in the inventory account is to a large extent responsible for the large liquid holding of the company.

Property account since 1915 has been marked down considerably, now amounting to \$43,154,192, compared with \$52,209,638 in the earlier period, this notwithstanding depreciation charges of \$6,685,974, as well as appropriation of \$11,000,000 from earnings for extensions and betterments. A few years ago it was estimated that about \$22,000,000 of the plant account represented nothing but water, but undoubtedly most of the water has now been squeezed out. The tonnage produced during the last fiscal year was about 23 per cent in excess of the

preceding year. Since the armistice the volume of sales has been poor.

At present prices the common stock does not seem to have fully discounted the excellent prospects for both domestic and foreign orders. It is generally acknowledged that there is a crying need for railroad equipment throughout the country, and from Europe, as well as Asia, where locomotive manufacturing facilities are insufficient to meet requirements, American Locomotive

should receive large orders. Of course, paying only 6 per cent, American Locomotive does not show a very attractive yield, but in the long run earnings are the best indication of market values. The company has no funded debt and only \$1,932,000 bonds of subsidiaries outstanding. Thus the only security which comes ahead of the common is the preferred, which is a high grade issue.

St. Louis Southwestern Progressing

Net Revenues Show Important Growth As Average Train Load Increases—Preferred Issue Promising

By STANLEY P. MELVIN

COMPARTIVELY few people are paying very much attention to the amount of compensation to which the railroads are entitled while under Federal operation, for the poor showing of most of the roads during 1918 and so far this year has far overshadowed in apparent importance the amount guaranteed by the Government. Holders of St. Louis Southwestern common and preferred stocks have been perturbed because of the severe shrinkage in earnings of the road during 1918, when only 4.32% was earned on the preferred and nothing at all on the common; and a large number of them have overlooked the fact that on the basis of the tentative guarantee of the Government the road is entitled to about 7% on the preferred and 2.43% on the common. The contract with the Government will be voted upon soon, and it is expected that an additional \$500,000 will be added to the present tentative figure, which would bring the total compensation up to \$4,410,000, or about 9.25% on the preferred and approximately 5% on the common. Such a compensation, it seems reasonable to believe, justifies higher prices, at least for the preferred, but evidently the darker side, indicated by the current poor results, together with the unsatisfactory tangle in the railroad situation, has resulted in the drop in St. Louis Southwestern preferred from its high this year of 37% down to near the lowest price in its history. The common stock, too, is selling near its lowest during 1919.

Because of the substantial amount to which the preferred stock is entitled, there is a feeling on the part of a large number of the stockholders that dividends could justifiably be paid. Indeed, a report has been going the rounds that after the contract with the Government is definitely signed, St. Louis Southwestern preferred will be placed on a 5% annual basis. Per-

haps this would be somewhat unexpected, judging from present quotations around 30, but the stock has been fairly active around its low level, and many people are inclined to place credence in this report. Certainly such dividend action would be a boon to the stock, for since April, 1914, nothing has been paid to preferred holders. Prior to the outbreak of the war 4 3/4% was paid on this issue in both 1912 and 1913; in 1911 4% was disbursed; and stockholders received 5% in 1910.

Rather surprising figures indicating the efficiency of the St. Louis Southwestern are revealed in a study of gross and net operating revenues during the past six years or so. Whereas in 1912 gross amounted to \$12,042,543, by the end of 1917 it had increased to \$17,309,657, a gain of \$5,267,112, or about 44% in the six and one-half years. More surprising than this growth in gross, however, was the even more rapid spurt in net revenue. For net revenue, far outstripping the growth in gross, rapidly mounted from \$3,623,128 in 1912 to \$6,412,797 in 1917, an increase of \$2,789,679, or about 77%.

Back in 1915, when the South suffered from the severe depression which at first followed the outbreak of the war, when the price of cotton fell so low that the "Buy a Bale of Cotton" movement was started, both gross and net revenues slumped considerably. Since 1915, however, gross and net revenues have steadily improved, and in the three and one-half years to the end of 1917 a gain of about 63% in gross and of about 183% in net was reported.

How did St. Louis Southwestern succeed in making such an improved showing in net, as compared relatively with gross? Did the operation ratio decrease? Yes, the operating ratio fell from 69.9% in 1912 and 78.6% in 1915 to 62.9% in 1917. Did the road skimp on maintenance? Examination of the figures for the past six or seven years

shows clearly that the charges for maintenance of way and structures and for maintenance of equipment did not vary much. It would have been more conservative if the road had been a little more liberal with expenditures for maintenance, but it cannot truthfully be said that maintenance was neglected.

The chief reason for the enormous increase in net earnings of St. Louis Southwestern was that the road got the most out of its traffic. In 1912, as will be seen by a glance at Table I, the average train load was 291.13 tons, and in 1917 it had jumped to 430.78 tons. To this enormous increase

handle more traffic without much increase in the number of cars used. The road's traffic is well diversified: more than 34% from forest products; over 25% from manufactures; in excess of 21% from agricultural products, mostly cotton; and the remainder of the traffic from animal and mine products.

Earnings for St. Louis Southwestern preferred, except in 1914 and 1915, were fairly good—good enough, indeed, to warrant the payment of dividends on the senior issue; and just before the roads were taken over by the Government such a possibility was considered quite probable.

St. Louis Southwestern has a capitalization of \$63,860,750 in bonds; \$19,893,650 5% non-cumulative preferred; and \$16,356,100 in common stock. The Government guarantee is ample for interest charges and the First Terminal and Unified Mortgage 5s, as well as the First Consolidated Mortgage 4s, are worthy of attention as investments. Both of them are now selling on an attractive yield basis, considering the element of safety.

The preferred sold as high as 80% in 1912 and is now within a few points of the lowest in its history. While, of course, the stock is not a dividend payer now, the excellent compensation to which it is entitled does seem to warrant the belief that resumption of disbursements are not too distant, and the shares deserve consideration as a promising speculation.

St. Louis Southwestern common is purely a speculation, although the growing territory through which the road operates is a hopeful indication of gradual improvement.

Train Load and Earnings

	Average Train Load	% Earned	
	Tons	Preferred	Common
1912*.....	292	8.14	3.80
1913*.....	300	9.49	5.44
1914*.....	294	1.69	#7.79
1915*.....	304	#.01	#4.03
1916*.....	343	6.37	1.67
1916.....	351	11.17	7.50
1917.....	430	19.47	17.60
1918.....	—	4.32	#0.81

*Years ended June 30.

#Deficit.

a. Not yet available.

in efficiency is the splendid showing of the road in net directly attributable.

Such an increase in the average train load was made possible by the character of the road's business. Car loading had been light, so that it was possible for the road to

PROMISING MEDIUM-PRICED RAILS

A STUDENT of railroad values recently checked over the list with a view to selecting good medium-priced stocks which would be likely to benefit from a settlement of the railroad problem by Congress. His conclusions are given below.

These might be a long hold, but they seem a *certain* one. The stocks should be bought with all surplus funds, or the proceeds of any other "dead" ones that have no prospects. These stocks have a *high collateral value*, almost as good as the higher grades. They can be used as a "lining" to furnish collateral for higher grades.

The ultimate appreciation in price, which can well be 33% to 50% in, say, two years is ample compensation for lack of immediate return. Taxes will also be saved in the interim. Rich people are likely to buy these later with profits or "paper profits" from other profitable operations.

St. Louis Southwestern preferred (26). Modestly capitalized, low price, earnings trend distinctly upward. Good territory.

Missouri Pacific preferred (47). Discounting 4% or 5% dividend. Kuhn-Loeb property. Reorganized and growing. Interested in Texas Pacific.

Rock Island (25). "Water" now squeezed out. Potentially a good earner. Excellent management, replacement value enormous.

Missouri Pacific common (27). Should go to 40 eventually or higher. Resembles Atchison in the early days. Large future earning power indicated.

Chesapeake & Ohio (55). "King-pin" of moderate priced dividend payers. Pays 4%—can and will eventually pay 5%.

Southern Railway (24). Deserves better rating than its price would indicate. Shares in South's prosperity; "plowing back" some earnings and worth 50 intrinsically.

Kansas City Southern (18). Only reason for low price is foreign selling, principally from Holland and Belgium—reason obvious. Earning power high, and exceptionally safe now. Expect 30-40 eventually.

Wheeling & Lake Erie preferred (27). Oil developments are attracting speculation. Traffic possibilities good.

St. Louis St. Francisco preferred (27-28). Reorganized. Plowed back \$6,000,000 surplus in last few years in place of former deficits. Dividends seem practically certain in two years.

Colorado Southern (23). Surplus and net on upgrade. Railroad operates in Wyoming, Texas and New Mexico—growing territory.

Westinghouse Plows in \$30 a Share

Orders Are Being Booked at the Rate of \$100,000,000 Annually—
Cash Position Strong—Good Margin of Profit

By JOHN MORROW

THERE have been times in the speculative rush of the past several months when it seemed as if the old established corporations had lost most of their friends and followers. Allegiance in a period like the present is easily transferred to new and often untried favorites, but this change of faith in most cases is temporary, and securities of the great corporations which have been making industrial history for years always furnish a backlog, despite the fact that they may be ignored for a time.

One of the best known names in the records of American business is Westinghouse and the Westinghouse Electric & Manufacturing Company represents leadership in the production of electrical machinery and associated appliances.

The war wrought changes in every line of business and brought unusual profits to most of our industries. It mattered not whether a corporation persistently clung to a conservative policy of profit distribution or not; its securities were at times subject to fervid speculation, too many times based on rumor and irresponsible gossip. There was a time in the great war markets when Westinghouse Electric common was run up to new high figures on rumors of great profits in war contracts, and on reports of "melons" for stockholders. But Westinghouse has been conservative enough to suit most anyone in the disposition of surplus profits accrued from the business of the war period and at the same time shareholders have been benefited to a substantial extent.

When hostilities began in 1914, the common stock, which has a \$50 par value, was paying dividends at the annual rate of 4 per cent, or \$2. The present rate is 8 per cent, or \$4 a share, which is double the dividend of five years ago. It is noteworthy, however,

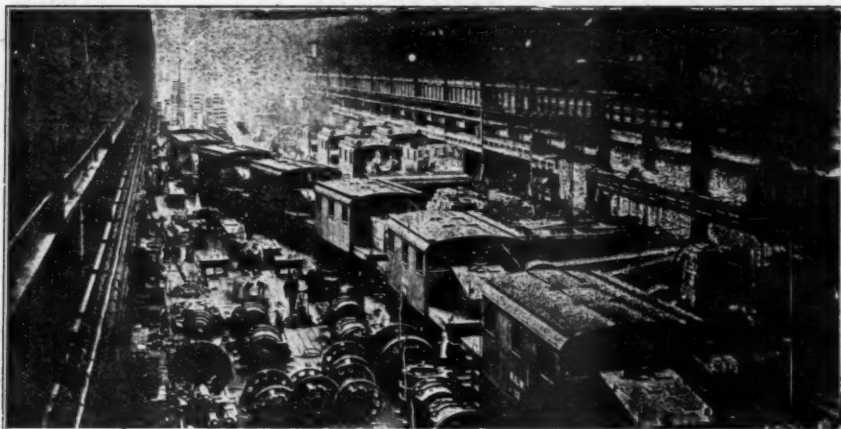
that the stock was not placed upon the current dividend basis of 8 per cent until May, 1919, six months after the armistice, and after a period had elapsed sufficient to allow the management to come to rather definite conclusions as to the business outlook.

Changes in Capitalization

Westinghouse Electric is generally regarded favorably and yet the stock has been somewhat disappointing to the speculative trader. Its frequent sluggishness might be partially attributed to the comparatively large increase in the amount of common stock outstanding. The total capitalization of Westinghouse at the present time as compared with that at the close of the fiscal year ending March 31, 1915, shows a very different balance with respect to the proportion of common stock to the total capitalization. At present the common stock represents over 70 per cent of the total capitalization of approximately \$96,200,000, whereas in 1915, of the total capitalization of \$64,200,000, \$37,000,000, or 55 per cent of the total, was common stock.

The increase in the common stock has come about through the sale of additional shares and through the conversion of bonds. There is little doubt that war conditions made it somewhat easier to finance through stock and the net result of the change in capitalization has been to increase the proportion of partners or stockholders, and to decrease the proposition of creditors or bondholders, a condition which, generally speaking, is considered an advantage to any company in the long run.

The Company's permanent, or rather its long-term, funded debt is small, totaling under \$7,000,000. The principal funded obligation is a short term issue consisting of \$15,000,000 in 6 per cent notes due February 1, 1920. During the



Westinghouse Locomotive Works at East Pittsburgh.

next four months, the Company must arrange to meet this maturity. There is no present suggestion of any difficulty in taking care of the obligation, but at present it cannot be foretold whether it will be possible to pay off the notes without a refunding process. If this could be done without weakening the current cash position at the time of maturity, it would be a fortunate stroke, and one which would save some \$900,000 in interest charges. These notes represent

of additional facilities made through the sale of notes and stock and by application of surplus.

For example, a plant was erected at Essington on the Delaware, near Philadelphia, to which is being transferred the turbine work to relieve the plants in the Pittsburgh district. The New England plant will be given over to the production of small motors, etc. During the war period, this plant was used to manufacture rifles for the British and

TABLE I—EARNINGS RECORD

Year March 31	Gross Sales	Net Mfg. Profits	Net Income	\$ Per Share Earned on Common
1913	\$39,977,566	\$4,571,272	\$3,164,032	\$4.10
1914	43,733,646	4,717,222	4,058,809	5.36
1915	33,671,485	2,562,412	2,009,744	2.31
1916	50,269,240	9,429,896	9,666,789	10.22
1917	89,539,442	17,461,690	18,079,889	12.57
1918	95,735,407	15,509,470	15,405,681	10.68
1919	160,379,943	15,712,541	15,059,008	10.43

financing made necessary by plant expansion to provide facilities for the greatly increased business of the past few years. However, if the notes are refunded, it will not indicate financial weakness.

The accompanying graph illustrates the growth of the book value of the common stock. In figuring total assets the "patent, charter and franchises" account of about \$5,000,000 was excluded. The property and plant account has increased from \$20,000,000 in 1915 to \$41,806,000 as of March 31, 1919. This increase in the book value of the Company's property and plants was mainly the result

Russian Governments, and later, when the United States entered the war, Browning machine guns were made there. It was generally understood that Westinghouse did not profit much by the rifle contracts and the growth in earnings was largely due to the stimulation in the Company's regular lines of business. The Government shipbuilding program, both in merchant and naval ships, has brought a substantial increase in the company's orders for propelling machinery.

Westinghouse for some years had a direct interest in foreign companies operating in Great Britain, France and Italy,

But beginning in 1915, the management began to divest itself of these interests and the final step came in the spring of this year through the disposal of stock holdings in the British company, the price of which was reported to have been \$7,000,000.

This transaction strengthened the cash position of Westinghouse and did not mean that the corporation would cease to be a factor in foreign trade. On the contrary, the Company is fully alive to

to be expected in view of the uncertainty which followed the armistice. In August of this year it was reported that bookings were running at the rate of \$100,000,000 annually, with orders for small electrical products the feature of the business. It is almost unnecessary to state that railroad and public utilities purchases have been comparatively small and that the companies have been slow to commit themselves to new expenditures. There are indications that the crisis in the public utilities situation has been passed. Any increase in the purchasing power of the country's transportation lines is almost certain to augment the business of Westinghouse.

TABLE II—WORKING CAPITAL
(000 Omitted)

	Total Current Assets	Total Current Liabilities	Working Capital
March 31			
1915....	\$31,934	\$3,704	\$27,631
1916....	40,715	9,470	31,244
1917....	82,253	25,016	57,236
1918....	98,710	38,318	60,391
1919....	115,987	46,292	69,694

the possibilities in Europe, and Chairman Tripp has gone abroad, presumably to study the situation with a view to business development.

The Volume of Business

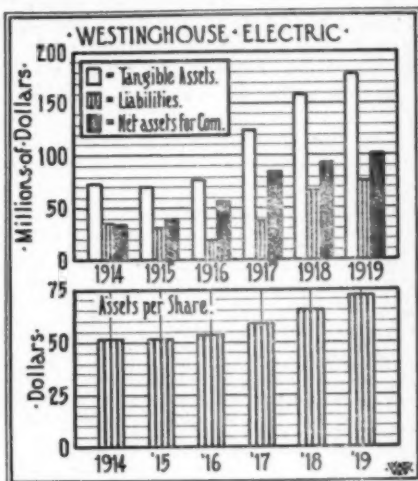
Naturally enough the total of unfilled orders showed all the now well-known tendencies through the war period. For some years prior to 1914, these orders, which are published annually as of April 1, fluctuated between \$7,000,000 and \$14,000,000 showing a 100 per cent

TABLE III
Price Range Westinghouse Common

	High	Low
1910	82½	49½
1911	79	58½
1912	89½	66½
1913	79½	53½
1914	79½	64
1915	74½	32
1916	69½	51½
1917	56	33½
1918	47½	38½
*1919	59½	40½

*To Sept. 29.

range. The peak came April 1, 1918, when unfilled orders totaled \$147,857,000, of which \$110,185,000 was for the regular products of the company and \$37,672,000 was for munitions. On April 1, 1919, the total was \$76,248,000, indicating a decrease of 30 per cent in the regular lines of the company's business as compared with the previous year. This was no greater shrinkage than was



Earnings Record

Reference to Table I will show the earnings of the war period and of the pre-war period. The full effect of war business was not realized until during the fiscal year ended March 31, 1916. Beginning with that year and following steadily through the three succeeding years, earnings have been remarkable for their size and consistency. When the increase in business began, it was somewhat abrupt, but it has been maintained from that time. Total earnings on the common stock for the four fiscal years ended March 31, 1919, were \$43.89 a share, of which \$13.25 was paid out in dividends; therefore,

surplus earnings have been over \$30 a share, or 60 per cent of the total par value of the common stock.

Net manufacturing profits averaged 13½ cents on the dollar during the four years, but last year the profit on the business turnover of over \$160,000,000 was about 10 cents. The pre-war profit margin range was from 11 to 12 cents. Undoubtedly, costs, in the past fiscal year represented almost a peak. Since the end of that period, there probably has been no substantial reduction in production costs, if any at all. Considering increased facilities and the experience gained by the big volume of business, it would seem to be a fair assumption that Westinghouse can maintain a profit margin somewhat larger than the pre-war proportion.

Working capital, naturally enough, has largely increased as Table II shows. The ratio of working capital and gross sales is not as large as it has been, and at the close of the last fiscal year, inventory account was 50 per cent of total current assets, but an improvement in this respect was shown over the preceding year. It is understood that bank loans have been reduced since the close of the last fiscal year, and that cash position is improved.

Conclusions

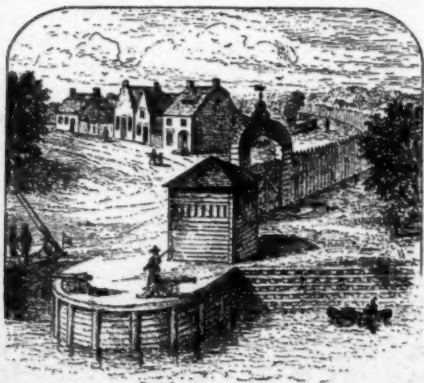
The first and refunding 6 per cent bonds of the Company, due 1940, of which there are only \$6,115,000 out-

standing, can safely be classed as a high grade industrial issue, but the market for the bonds is not active and they are apparently closely held. The \$15,000,000, 6 per cent bonds due February 1, 1920, are short term securities of "A" grade. They have only four months to run and are currently quoted around 100½, to yield 5.25 per cent if held to maturity. It has been reported that the company has been buying these notes in the open market and that \$1,000,000 has been retired in this manner.

There is only \$4,000,000 of the 7 per cent preferred stock outstanding. This stock shares alike with the common in dividend distributions, both issues having received 7 per cent per annum. As the junior shares are now receiving 8 per cent, the senior stock is on the same dividend basis. The preferred stock has a small market and is a high grade issue.

The common stock, of course, commands the greatest interest. Its price range is relatively narrow, or at least has been so. Table III shows that the yearly spread during the past three years ranged from 23 points in 1917 to only 9 points in 1918. The stock, now selling in the middle fifties, or about on a 7 per cent dividend yield basis, is a semi-speculative issue of sound merit. It is probably not to be purchased for a quick turn, but rather for permanent or long-time ownership.

WALL STREET IN 1674



This is a view of the section where New York's financial district exists today as it appeared two and one-half centuries ago. In the engraving are shown the block house and the city gate at the foot of the present Wall Street. The stockade, following approximately the line of Wall Street, was built across Manhattan island as a protection against neighboring tribes of Indians.

Current Stock Offerings

THE salient facts concerning current stock offerings. No opinion or rating of any kind is attempted and the purpose is purely to keep the reader informed on the more important issues.

AMERICAN SAFETY RAZOR. Company is a consolidation of the Gem Safety Razor Corporation, American Safety Razor Co., Inc. (Ever-Ready safety razor), and Kampf Bros. (Star safety razor and shaving brushes). Safety razor business has shown excellent growth and it is stated that combination will result in large economies of operations. Management will remain in the hands of the men who have previously conducted the business. Company has three plants in New York City, a blade manufacturing plant at Toronto, Canada, and an assembly plant in London, England. Estimated that on basis of business done by consolidated companies during first 8 months of year, net earnings in 1920 should not be less than \$2,000,000. Plans under contemplation to develop foreign markets. Aside from officers of companies combined, directors include two prominent representatives of the tobacco interests. Authorized capitalization, \$20,000,000 with par value of \$25. Issued, 400,000 shares at \$18 a share.

CALIFORNIA PACKING 7% CUM. PREF. Company owns and operates 71 canning and packing plants handling fresh fruits and vegetables located in California, Oregon, Idaho, Washington and Utah, and its business has been recently expanded by acquisition of the Hawaiian Islands Packing Co. Company showing good expansion, and appears to have good prospects. Business for current year estimated at about \$75,000,000. Preferred authorized, \$10,000,000; outstanding, \$5,206,200. Strong protective features for preferred, and issue is convertible into common at any time prior to January, 1932, at rate of one and one-half shares of common for one share of preferred. Offered at current market prices.

J. I. CASE FLOW WORKS 7% CUM. FIRST PREFERRED. Company incorporated to acquire and bring under one management, the J. I. Case Plow Works Co., and the Wallis Tractor Co., manufacturer of the well-known Wallis Tractor. Company will have branches and distributing houses in practically all of the important trade centers of the U. S. Business will remain in hands of men who have heretofore handled it. Preferred dividend requirements covered with very wide margin. Total tangible assets per share of first preferred are around \$200 and net quick assets, \$120. A number of covenants are provided for the protection of the preferred, and net quick assets must at all times be maintained at 100% of the preferred stock then outstanding. Offered at 91 to net 7.22%.

CLINTON-WRIGHT WIRE 8% CUM. CONV. PREFERRED. Company is one of the largest manufacturers of wire and wire products. Acquired Spencer Wire Co., by entering into contract with that company. Has eight plants throughout Maine, and employs about 3,000 hands. Combined sales for last fiscal year aggregated about \$18,000,000. Preferred dividend and sinking fund requirements earned with wide margin. Net tangible assets about \$230 a share and net quick assets, \$130. A cumulative sinking fund beginning in July, 1920, is estimated to retire the entire issue in 18 years. Convertible into common at any time on basis of 2 shares of common (par \$50) for each share of preferred. Strong protective features for preferred. Offered at 99 to net 8.10%.

LOFT, INCORPORATED. Company has acquired and owns all the assets, property and goodwill of Loft, Inc., a Virginia corporation, and is organized under the laws of Delaware. Business has been in existence for over 50 years and consists of manufacture and sale at retail of Loft Candy. Com-

pany's plants and real estate owned free of encumbrances. Volume of business has been showing good expansion from year to year, and for first 7 months of current year, sales were about \$2,980,042. Net earnings have also shown rapid growth, and in same period were \$524,233, after setting aside liberal reserves. Capitalization consists of 650,000 shares of no par value, all of which are outstanding.

PATCHOGUE-PLYMOUTH MILLS CORPORATION 8% CUM. PREF. Company being organized to acquire business and assets of the Patchogue Manufacturing Co., of Patchogue, L. I., and of the Plymouth Mills, of Lawrence, Mass. Company will be one of the largest producers of curtains and curtain net and the largest manufacturer of wool and fibre and all-fibre rugs and matting. Will also care for the blending of about 85% of the total output of domestic embroidery. Corporation has among its customers, practically all the more important jobbers of carpets and draperies in the country and also a number of large retailers and catalogue houses. Preferred dividend requirements covered with good margin. Net quick assets after giving effect to this new capitalization, \$109 a share and net tangible assets, \$193 a share. Amount authorized and issued, \$1,500,000. Annual sinking fund of not less than \$50,000 per annum to be set aside each half year to retire preferred at not over 105. Offered at 100 to yield 8% and privilege to subscribe to one share of common at 35 for each 4 shares of preferred.

WILLIS CORPORATION 8% FIRST CUM. CONV. PREFERRED. Combination of Electric Auto-Lite Corporation, New Process Gear Corporation, and the Duesenberg Motor Corporation. Management of last named property will remain the same. Has contract for large production of light 6-cylinder car with Willis-Overland, which company will market the product. First named property (Willis Corporation), is already an important manufacturer and marketer of farm and home lighting sets in the U. S. Plants stated to be booked with record business. Dividend requirements on this issue stated to be covered about 3½ times at current rate of earnings. Prospects good for better earnings. Net tangible assets per share about \$287 and net quick assets, \$101, and including marketable securities about \$222. No mortgage or lien of the corporation or its subsidiaries, except purchase money mortgages, may be created without consent of 75% of this issue. Liberal sinking fund. Amount authorized and issued, \$15,000,000. Convertible at option of holders at rate of one share of preferred for two shares of common (no par value). Offered at 100 to net 8%.

C. B. WILSON BODY CO. 7% CUM. PREFERRED. Business established about 40 years ago for the manufacture of carriage and wagon bodies. Since 1898, it has manufactured automobile bodies. Its business is now exclusively the production of open and closed bodies for automobiles. Company is the second largest producer of automobile bodies in the country. Plants are at Detroit and Bay City, Michigan. Net profits for 3½ years ended June 30, 1919 (after depreciation and Federal taxes but without deducting interest charges to be eliminated by present financing), have averaged over 3 times dividend requirements. Net tangible assets over \$233 a share. Liberal sinking fund for retirement of preferred at not over 110. Offered to amount of \$1,500,000 at 95 to yield 7.40%.

Trade Tendencies

As Seen by Our Trade Observer

THE average investor has neither the time nor the opportunity to follow developments in the various industries, although developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—EDITOR.

Steel

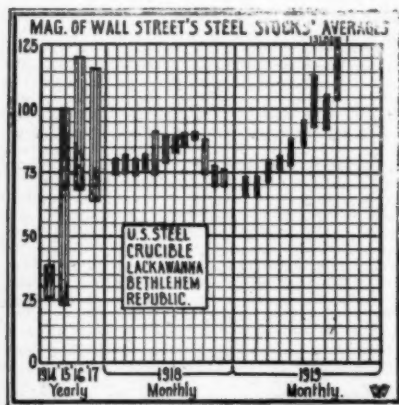
Progress of the Strike

Writing at the end of the second week of the strike, it seems that from the conflicting reports of the company officials and labor leaders at least this much is clear: the industry is far from being tied up; that the movement has gone against the strikers, as more and more men have deserted their ranks, and Mr. Gary maintains his uncompromising attitude, and that the big coup,

be given up, though the conflict promises to be a long-drawn-out affair, as indicated by the absence of rioting.

In the fabricating industries activity has been but slightly checked by the strike. Orders for steel have simply been transferred to mills operating partially or at full capacity, and jobbers' holdings have been steadily absorbed. Warehouse stocks are estimated to be sufficient to supply for a few weeks more the present heavy demand, but if the strike at the primary mills lasts longer than that, consumers may find themselves in serious difficulties. As noted in other columns, this would particularly affect the automobile industry, where it is the practice to keep about two or three weeks' supply of finished parts on hand.

Activity in pig iron is marked, price advances of about \$1 a ton having been scored of late. Large supplies are said to be available for prompt delivery, but a heavy demand is being manifested in spite of the strike. Plate and bar mills report increased inquiry, and the curtailment of production in some pipe plants affected by the strike wave has caused a stiffening of the market in that line.



To Sept 30

by which it was planned to tie up the Bethlehem plants, has apparently not succeeded. Some Pennsylvania mills are now said to be working at capacity, though the Western mills are still hard hit. The independents appear to have been affected proportionately more than the U. S. Steel Corporation, and though this condition is not truly representative, some of the fabricating mills of the Middle West have been affected by the strike fever. The outlook is that the strike will be settled in a way more to the company's liking than the unions', and that the major point at issue—the open-shop principle—will not have to

Export Situation

Exports of steel products reached their highest point in September, it is said, though official figures are not yet obtainable. Export rails are particularly in demand, and a large South American credit is being negotiated. Arrangements are also being made for large purchases for waterworks improvements in Argentina. Trade with England is being seriously hampered by the railway strike in that country, which has resulted in an order from the shipping authorities that there will be no shipments to Great Britain until the congestion at the ports, caused by the failure of internal transportation facilities, is over.

Buyers, both foreign and domestic, are trying to relieve the situation by not insisting on immediate deliveries where these have been provided for, although they fear trouble on their own account because of shortage of materials should the strike last substantially longer.

Railroads

Cummins and Esch Bills Under Fire

Both the Cummins bill presented by the Senate Committee on Interstate Commerce and the Esch-Pomerene bill have been subject to considerable adverse criticism of late. Against the Cummins bill it has been urged that the clause prohibiting strikes by railroad employees "would not prevent strikes, but would create law-breakers," in the words of a union official. Railroad investors also claim that their interests are disregarded in the provision for a limitation of earnings and this clause is attacked on the broader ground that it will tend to discourage the flow of capital into new railroad investments, leaving whatever new financing is to be done to be accomplished by means of bonds, at a time when recent estimates show that already 60% of railroad

Director-General, have been improving, with a steady increase in the number of cars in active service, the removal of restrictions on the employment of shop workers for the repair of cars, and the forced acceptance by some roads of equipment which they had declined to take some time earlier because of high cost. Some difficulty is being reported in the movement of the crops, and it is feared that congestion may result, but much is expected from re-routing and the more efficient utilization of the available equipment. Maintenance is said to be somewhat under normal still, the increased amounts being spent by the Railroad Administration, compared with 1914 figures, being said to reflect only the rising costs of labor and materials.

Rate-Fixing Power Restored to I. C. C.

By a bill recently passed by Congress, the President has been deprived of his former complete control over railroad rates. He can still initiate rate changes, but they are no longer valid without the approval of the Commission. The reason for this action, as urged in Congress, was that the loss of revenue to the railroads caused by the steel strike and by increased wages might compel the hasty adoption by the Administration of a schedule of wage increases which would not be acceptable to the people.

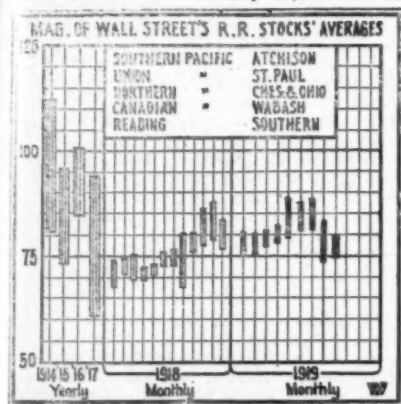
Unauthorized conventions of some shopmen are still being held in protest against the wage-increase award of 4 cents an hour pending attempts to cut down the cost of living. These conventions have been radical in tone, but are not believed to have the backing of the great mass of the railway shopmen. The fear of a railway strike has practically disappeared. The only radical development of importance has been the adoption of a resolution by the United Mine Workers of America calling for a union with the railway brotherhoods on the lines of the British "Triple Alliance," for the purpose of pressing the Plumb plan for nationalization of the railroads and the mine-workers' plan for the nationalization of the coal mines. To date, however, nothing tangible has come of this proposal.

Copper

The Steel Strike and Copper

The steel strike is held by many copper men to be largely responsible for the continuance of the dullness in copper which began in the first week of August. In the last analysis, many of the industries which use copper products also need steel, and, failing to get the one, have no pressing need for the other.

In view of the inactive demand, many of the larger producers are cutting down output, in accordance with the policy followed earlier in the year of curtailing production when prices were low. Production costs are higher now than a few months ago, as the settlement of the labor question by the mining companies involved the acceptance of practically the war-time scale of wages.



To Sept. 30.

capitalization is in the form of bonded debt. This clause is also attacked on the constitutional ground that it will be a deprivation of property in that it will take away railroads' excess earnings, not on the ground that they are based on unreasonable rates, as the latter are to be fixed by the I. C. C., but solely because they are higher than a fixed standard, and it is alleged that this will tend to discourage efficiency in operation, which would tend to increase earnings though rates remained stationary.

The Esch bill has come in for unfavorable comment because it excepts interstate carriers of gas and natural gas from the operations of the law, and, on the other hand it is demanded that all control over rates charged by water traffic be taken away from the Interstate Commerce Commission and turned over to the Shipping Board.

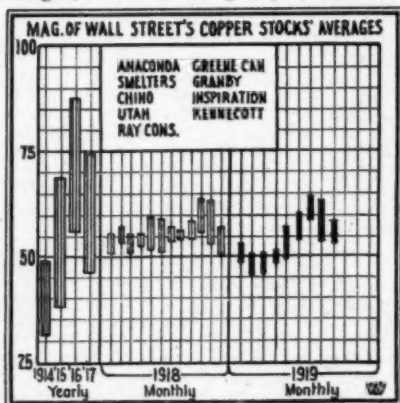
Railroad earnings, which had been improving since the second quarter, have been damaged to some extent by the steel strike, and it is safe to say that this will be reflected in the earnings figures for the third quarter. On the other hand, traffic conditions, according to a recent statement of the

It is estimated that production of new metal is about keeping pace with the decreasing consumption, and the surplus, as a result, is not moving fast. On the other hand, the Government stocks of copper have all been disposed of and, in addition, the producers are looking ahead to the time when the potential demand of Germany and the other European nations will become actual, which will happen just as soon as appropriate credit arrangements are made. To prepare for this situation the companies are said to be shipping large quantities of the metal to their agents abroad, with a view to being able to promise speedy delivery to their European customers as soon as normal conditions are restored.

In the local market conditions remain unchanged, with the larger producers still

of electricity for power, because of the high cost of coal. Copper men are quoted as saying that they expect all these possible customers for the metal to enter into active buying by the end of the year, in which case the price will in all probability go up. They point to the labor shortage in the mining end of the industry, the fact that approximately 80% of the world's supply of copper will have to come from this country, and the fact that copper has not risen proportionately above its former levels as much as most other basic commodities, in support of their contention that the price of the red metal is bound to go up.

When that happens, they say, the mines which are now working at about 50% of last year's production will make strenuous efforts to increase output, although they expect to be greatly hampered in this by the shortage of labor. In the meantime they are awaiting a solution of the problems of extending foreign credits and lowering the discounts on foreign exchange which handicap the exporter, the problem of giving the public utilities sufficient revenue to enable them to raise their expenditures for maintenance and improvements at least to the pre-war standard, if not to make up the deficiencies in this respect which have been caused by their forced attempts to economize, and the problem of restoring industrial peace, so that the normal demand of active industry for copper will have a chance to assert itself.



quoting the nominal prices of last August, while smaller producers and speculators are shading prices to the extent of about a cent a pound. It has been declared that the quantities handled by the latter were entirely too large not to indicate that some of the larger producers themselves were secretly cutting prices, but this has been denied. It is obvious, however, that it must be a great strain upon the financial resources of any company, even the largest, to carry a large surplus of unsold copper, pay a certain amount of dividends, and keep the mines operating under heavy costs.

The purely copper-consuming industries, such as the manufacture of copper wire and rods, are reporting excellent business. Some of them, in fact, are unable in many cases to promise delivery less than eight to twelve weeks ahead. The copper-consuming primary industries are said to be working at a level 25% higher than that obtaining before the war.

In addition to the foreign demand, which is expected to become more acute shortly, as foreign Government supplies are nearly exhausted, the public utilities of this country constitute a great potential market for copper, as also does the greater utilization

Dyes

Enter German Competition

Since the announcement that in view of the scarcity of the vat dyes which are used on high-grade textiles, the importation of a six months' supply would be arranged by Washington, the most important development in the dye industry has been the resumption of activity by German manufacturers in competition with the American dyemakers. From Spain and the Orient, which have hitherto been among our best export markets for colors, comes the announcement that in some cases orders have been cancelled following the receipt of cables from big German chemical concerns, notably the Badische Anilin und Fabrikwerke, that they were about to resume business shortly.

Leading dyemakers of this country say that they can face German competition at the present time with equanimity because of the large stocks of crudes and intermediates which can be produced at low cost in this country. On the average, it is said that dye prices this year are 25% to 50% cheaper than last year because of the cutting of production costs due to the building up of a corps of experienced workers, the development of new methods of dye-making, and the utilization of by-products.

The only department in which German superiority is conceded at present is the manufacture of vat dyes, in which large-scale production has not yet been achieved. On the other hand, the National Associa-

tion of Shirt Manufacturers, which practically represents the great vat-dye consuming interests of this country, has declared that from tests made on the American vat dyes so far produced they seem to be perfectly satisfactory and that shirt manufacturers will be willing to use American dyes as soon as the latter can be produced in sufficient quantity. The six months' supply which is soon to come from Germany is said to be enough to tide consumers over until the time when American vat dyes can be employed extensively, and do not indicate a willingness to remain dependent on Germany for this particular class of dyes.

The commercial problems for the dye industry, therefore, do not seem to be concerned any more with the establishment of the industry for home consumption. Now it is only a question of keeping the markets which we have won during the war and of extending our foreign trade in dyes to new fields.

Export Position of American Dyes

South American imports of dyes will be seriously restricted henceforth, as import regulations have been imposed by Brazil and other large consumers. This will tend to diminish the importance of the South American market, which was one of the mainstays of the dye-exporting trade in the early years of the industry.

Eastern countries, however, are gradually increasing their purchases of our dyes, particularly in the more brilliant colors. In Europe the export trade is meeting great difficulties in the foreign exchange handicap, the nearness of Germany and her consequently lower transportation costs, and the conflicting aspirations of many European countries to be self-contained in the matter of dyes. The war has shown the military importance to any country of having a flourishing dye industry, both in that it supplies a corps of men trained in organic chemistry, and in that dye factories can readily be converted to the making of gas and high explosives, both of which were developed to unexampled heights in the last war.

As to our future policy toward German imports, while opinion is strongly in favor of a high tariff with an additional safeguard in the form of licensing provisions regulating imports of German dyes, new difficulties have come up. For one thing, some of the industries which use large quantities of dyes are complaining that they are being debarred from an open market in dyes to their own loss and to the advantage of American dye-makers. They fear that unless we are permitted to buy our dyes wherever we can get them cheapest, whether it be at home or abroad, the dye-consuming industries will suffer unduly and may even be wiped out, to pass into German hands.

It has also been pointed out that tariff restrictions have been practically nullified by the fall in foreign exchange. For instance, the German mark selling at 4 cents,

means that at an equal nominal price German products are six times cheaper than American, and that a tariff of even 100% would still leave the German product three times as cheap as the American. Import licensing, both for the protection of domestic manufacturers and as a weapon against excessive prices which the Government could wield has been suggested.

Grain

Wheat Movement Strains Facilities

The great problem in the wheat situation at the present time is the movement of the crops. Shipments of wheat from the interior have continued heavy, and some of the elevators and storage stations are reported to be close to capacity. Particularly is this true of the Kansas City district, where an embargo on shipments has had to be laid until the congestion could be relieved. Something has been done by re-routing wheat shipments further north to Chicago and Milwaukee, where the transportation shortage is less acute.

The last link in the chain, the shipping facilities for export to Europe, is holding up well under the burden, but the difficult thing is to get the wheat to the ships. The Railroad Administration's policy has been that shipments of wheat are to take precedence of all other freight movements toward the coast, and many additional cars have been put into service. In spite of these efforts, however, stocks of wheat and flour are accumulating at mills and elevators.

Other crops are moving more slowly, partly because of decided price declines at the markets, which have made farmers more cautious about deliveries, thus to some extent relieving transportation and storage facilities. The entire crop movement problem now seems to be up to the Railroad Administration, which is receiving reports that unless more cars are sent to Nebraska the wheat will rot on the ground.

Condition Outlook

The latest Government report shows a further decline in the prospect for Spring wheat, the reduction in expected crop amounting to 17,000,000 bushels. Winter wheat outlook remains stationary, at over 715,000,000 bushels, but the spring wheat decline will bring the total down from the record figures which were predicted in June and as late as July. The estimated damage has been caused by blight, rust, scab and grasshoppers. The present estimate for the total crop is 923,000,000 bushels, comparing favorably with last year's actual crop of 917,000,000.

It is reported from the Northwest that millers are paying better prices to farmers for the lower grades of wheat than the minima fixed by the Grain Corporation, indicating that the basic price of \$2.26 will be exceeded in the actual market. The reason is said to be a scarcity of good milling wheat. Flour prices are accordingly ruling

firm and mills are kept busy by the heavy shipments from the interior.

World stocks of wheat in sight are estimated at 30,000,000 bushels above last year's figures, and this estimate is expected to be improved as more of the wheat comes to market. Supplies afloat for Europe have decreased over the last month, because of the existing hitch in transportation.

Motors

Motors and the Steel Strike

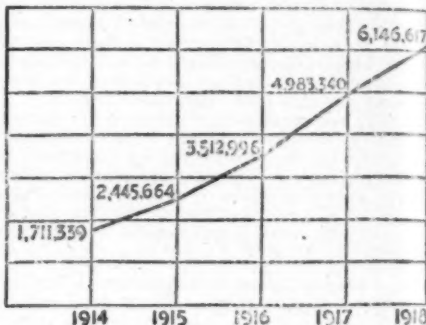
The immediate outlook for the automobile industry is largely dependent on the steel strike. Should the latter turn out to be a long-drawn-out affair, the motors will be hard hit, as the majority of the manufacturing companies have not more than two or three weeks' supplies on hand. Should the strike last longer than that, the manufacturers of fabricated parts who supply the motors manufacturers, and who habitually keep small supplies on hand, will have to close down, and following them the automobile makers.

It is recalled that when motor production was curtailed in 1918 the chief difficulty was the shortage of fabricated parts caused by the conversion of plants manufacturing them to war uses. Only two or three plants, it is said, are able to get along for more than a few weeks on the basis of present supplies, and it is probable that the motor factories will have to shut down completely in the absence of new deliveries of parts.

Should the steel strike cause a curtailment of production in this way, it would

already received. Should any extensive cut in production be necessitated by the strike, many manufacturers would find themselves loaded up with orders far in advance of their producing capacity, a condition which should tend to stabilize their prosperity.

Another circumstance tending to assure the industry of prosperity for some time ahead is the revival of road-building, which



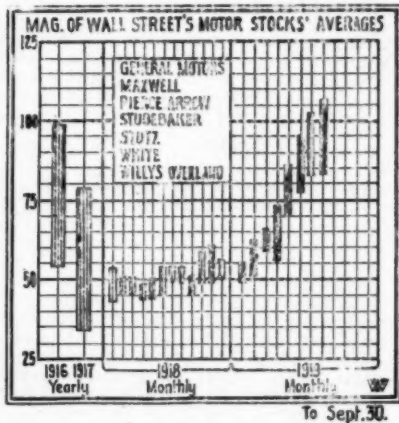
Graph Showing Motor Car Registration in the United States

had been suspended by the war. From the Bureau of Public Roads of the Department of Agriculture it is learned that for the next three years appropriations amounting to \$574,000,000 have been made by the Federal Government and by the individual states. Active road-building and road-maintenance means a better market for automobiles, particularly as a good deal of this "good-roads" work is being done in agricultural districts where the farmers now have the money and the desire to buy cars, but have hitherto been deterred by the lack of good roads along which to drive.

Export Prospects

In addition to the vast unsatisfied domestic demand, estimated at a shortage of 1,000,000 cars for this year, the industry is laying plans to secure its future still further by establishing its export trade on a solid basis. An automobile export association is being developed on the lines of the Webb law associations, and in Boston a \$5,000,000 corporation has been formed to finance sales of automobiles.

An indication of the field available for motor exports is found in a recent estimate of the number of cars in the leading countries compared with their population. The United States is far in the lead, with one car for every 18 persons; Canada comes next with one for every 25. Australia has one for every 100, Great Britain, one for every 268; thrifty France, one for every 402; Italy, one for 1,002, Mexico, one for 2,385, and China, one for 267,207 persons.



check the greatest boom the automobile industry has ever known. Production facilities have been increased by all the established companies, and numberless new companies have arisen to take advantage of the demand for this product, which promised to extend far into 1920 on the basis of orders

Precious Metals

Why Silver is High

Silver prices have been more flexible than gold in the past, and thus the metal has been responsive to the same causes that have caused price advances in all other commodities. In addition, at the present time the countries of the East, particularly India and China, known as the "sinks of silver", where great quantities of silver disappear every year nevermore to return into circulation, have enjoyed unusual prosperity because of the war, and because their balances of trade have been so favorable as to raise the exchange rates on them, importers from these countries have found it profitable to make their payments in silver rather than in orders on Oriental banks. A great demand for silver has therefore arisen among merchants doing business with Eastern countries, and the price has risen steadily, particularly within the last few months.

The scarcity of silver in view of this demand has been increased to some extent by labor troubles at some of the Western mines of the United States, which are now about over. To a large extent the silver shortage has been intensified by the curtailment in production of copper which many companies decided on in view of market conditions for the red metal, as much silver is obtained as a by-product in the refining of certain kinds of copper ores.

The Platinum Situation

In platinum the situation is much simpler. Russia, which used to turn out 95% of the world's production of platinum, is now hors de combat as a producer, and has not figured in world markets since 1914. The platinum resources of Colombia are now being developed, and Canada seems to be assured of a distant third place as a platinum producer, but neither of them has the resources of Russia, in spite of the crude methods by which the platinum of the latter was worked.

France is believed to be fairly well supplied with platinum, because of its virtual control of the Russian fields and of the refining of the Russian crude platinum, but Germany is undoubtedly short of the metal, which it needs in large quantities for any thoroughgoing reconstruction of its important chemical and electrical industries. In the United States supplies on hand which were released by the abandonment of war work have been taken up by new chemical industries such as the manufacture of heavy acids, and in addition a tremendous non-essential demand for platinum to be used as jewelry has grown up, and in this field a decided shortage is reported. Recently the price of platinum was advanced to \$130, a rise of \$10 within a week, compared with \$45 an ounce in 1914, and a parity with gold at \$20 an ounce in 1906.

Public Utilities

The New York Traction Situation

Recent developments in the traction situation in New York have all been against the operating companies. With the cutting-off of four car lines in the most crowded districts of the city, a system of bus-lines was installed, following out a long-cherished dream of the Mayor. Apparently this has given satisfaction so far, though the circumstances surrounding its installation were highly irregular and there is some question of the legal authority of the municipal officials to award the contract. In any case, it is claimed that the contention of those opposed to granting higher fares to the street-car companies that the latter have no valid threat to cut off the city's transportation if they do not get increased revenue, seems to be borne out.

A recent decision of a Supreme Court justice in the much-disputed Manhattan & Queens car line case, holds that the Public Service Commission has no authority to raise the fares of a street-car line where such fares are written into the franchise as a part of the contract. This would tend to increase the difficulties of Commissioner Nixon's position that the car lines should be awarded higher fares to enable them to keep running. Particularly is this so in view of the attitude of the city authorities that the fares should not be raised for any reason at all.

An estimate of the results of this year's operation for the New York system indicates a deficit for the year of over \$3,000,000, though August earnings show an improvement of \$500,000 over the same month last year. The general manager of the Brooklyn Rapid Transit system recently declared that unless fares were raised on his lines it would be necessary to dissolve the system, such action meaning separate fares for every line and increased inconvenience to the public. It is further stated that even if the system of both Manhattan and Brooklyn are split up, it will in all probability be impossible for the individual lines to continue on a five-cent fare basis, and they may have to be abandoned.

Because of the unwillingness of the city officials to permit a fare increase, therefore, and the division of authority between the city officials, the Public Service Commission, the receivers in charge of the traction systems, and the judges, the traction systems of New York City are in a bad way, with dissolution and subsequent abandonment plainly in sight. The alternatives seem to be higher fares, or else the assumption of the traction lines by the city, with a third possibility, the abandonment of surface lines and their replacement by busses. The last two methods of dealing with the situation are both highly problematical, particularly with the difficulties that the size of New York City raises.

The Brooklyn system's dissolution was forecast by the announcement made by Receiver Lindley M. Garrison that the Brooklyn Heights Railroad Co. would default its \$300,000 quarterly rental, due Oct. 1, and covering leases of twenty-six lines including 231 miles of single track, the main arteries of the borough's traction system. Under the terms of the lease the lines revert to their owners if rental is defaulted. As we write the dissolution has been legally accomplished, and when the necessary technical and operating arrangements have been completed, a matter of a few days, the system will have been completely split up.

Cotton

Another Bullish Report

The Government condition and ginning report for October, as previously indicated by private reports, showed a further reduction in the expected crop of about 1,000,000 bales, while ginning showed a decrease as compared with last year, largely due to unfavorable weather conditions and a late crop. It is now fairly certain that we are to have the fifth short cotton crop in a row since 1914, when cotton production reached a record figure. In view of world demands and conditions here this is especially regrettable, as it is undoubtedly true that a much bigger crop could easily have been absorbed.

In the disposition of this year's crop the question of grades is to be of the highest importance, cotton men report, as the demand from consumers, transmitted through the mills, is all for the better grades of cotton, and the same seems to be true of the demand abroad. Hence it is all the more disappointing to find that this year's crop seems to run to short staple and otherwise low-grade cotton. The carry-over from last year's crop is also said to consist mostly of the lower grades.

Domestic demand has continued firm, based upon renewed activity in the textile markets. The labor situation has improved as far as the mills are concerned, permitting of greater production, and the outlook

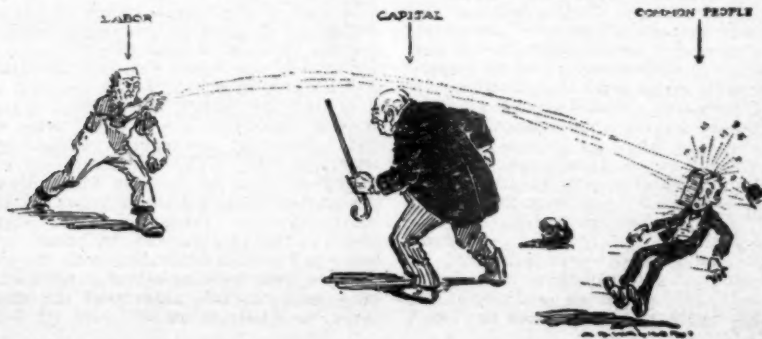
for the textile industries is favorable unless the steel strike proves to have far-reaching and particularly disturbing influences.

The Export Situation

The World Cotton Conference that will be held in New Orleans from October 6 to 18 is expected to bring together some of the keen minds that have been working on the problem of getting cotton over from the men who have it to sell on this side to the men who want to buy it on the other. The exchange situation is the great difficulty here, of course, and in general the question of financing and credit presents serious obstacles to a free flow of trade.

American cotton is said to be piling up at European warehouses, and difficulty is being experienced with the German requirement that all sales be made with a credit period of one year, to allow the German importer a chance to pay when marks are above their present levels. Further difficulty is found in marketing the lower grades of cotton because they are not much in demand among German and Belgian spinners, and it is possible that stocks of these grades may be carried over into next year in spite of the evident shortage of the cotton crop as a whole.

Spot cotton is firm on heavy Southern buying, as it is reported that the desired grades are difficult to secure in the primary markets. A continuation of this movement may result in active competition for the limited amount of better quality cotton of this year's crop, although a bullish campaign in one of the staple commodities would be looked on with disfavor by the authorities. It is believed, however, that all the immediately bullish factors have been discounted, including the Government report, and in addition at least one of the disturbing foreign factors, the railway strike in Great Britain, seems on the point of settlement. This will permit the freer movement of cotton from this country to British ports and mills, which has been interdicted hitherto to prevent congestion, and should consequently improve export trade.



'Tis Ever Thus

—Life

Investors' Indicator of Public Utilities

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

	Yield		Dollars Earned Per Share				Recent		Year on Recent	Last Fiscal	Earned
	High	Low	1916	1917	1918	Price	Price				
Am. Lt. & Trac., com.....	131	8	8.09	11.66	11.58	8.51	9.28	99	9.38	Cash dividend well secured.	
Am. Power Light, com.....	94	18	0.00	7.40	7.58	6.97	6.52	20	27.60	Improvement in int.; good management.	
Amer. Ry. & Tr. Co., 4% pfd.....	488	100	6a	13.37	36.74	60.73	61.67	488	13.33	Aggressive oil development.	
Columbia Gas & Elec., com.....	65	25	0.00	6.30	7.16	5.77	6.40	32	10.10	Greatly helped by oil and natural gas developments.	
Cons. Gas of N. Y., com.....	145	7	7.53	9.25	8.98	7.14	5.74	92	6.16	Not so well protected as other companies.	
Detroit Edison.....	149	98	8	6.55	13.70	14.61	10.28	9.08	121	7.80	Handicapped by high costs, but strongly protected.
Lafayette Gas Co., com.....	128	70	8	3.33	15.49	23.05	14.50	12.96	96	14.50	Protected by large equities. Management conservative.
Metropolitan Edison.....	104	50	0.00	9.24	11.21	9.58	6.52	51	8.88	Earnings should be helped by fare increases.	
Mackay Co., com.....	91	70	6	7.80	5.28	5.36	6.35	5.87	77	7.51	Recent rate increases should improve position.
Montana Power, com.....	115	41	3	4.55	3.73	5.52	7.08	6.19	66	9.48	Dividend not covered with wide margin. Heavy investments.
North American Co., com.....	76	39	5	8.36	6.06	7.28	6.05	5.38	59	9.10	Setback in property. Has good long-pull prospects.
Northern States Power, com.....	...	...	0	0.00	3.22	5.91	2.11	0.00	66	0.90	Good properties. St. Louis traction situation adjusted.
Ohio Cities Gas.....	145*	31	4	7.55	1.92	2.30	6.16	7.58	53	14.30	Improvement in recent earnings. Promising property.
Pacific Gas & Elec., com.....	74	45	7	7.47	10.48	9.10	5.57	5.20	66	7.88	Oil developments dominant; big equities.
Pub. Tel. & Tel., com.....	114	35	0.00	0.56	0.56	1.19	2.00	33	4.06	Large assets; expanding and promising property.	
Public Gas Co. & Coke.....	31	20	0.00	0.56	0.56	1.19	2.00	33	4.06	Earnings holding up well.	
Pub. Serv. Corp., N. J., com.....	47	21	3	8.57	4.44	5.14	6.22	4.26	35	12.19	Showing good growth; large oil prospects.
Rep. Ry. & Tr. Co., com.....	137	82	6	0.00	7.88	10.60	7.32	6.10	86	7.11	Effects of higher costs alleviated by increased fares.
So. Cal. Edison, com.....	...	...	0	0.00	2.97	3.55	5.83	-0.02	12	0.00	Severely affected by increased costs.
Standard Gas & Elec., pfd.....	89	73	7	7.87	6.71	8.41	8.38	7.55	89	8.49	Doing very well and has good promise.
Third Ave. Ry., com.....	68	12	0	0.00	4.19	5.98	-3.02	-2.75	18	4.98	Paying off back dividends; extensive oil plans.
Twin City Rapid Transit, com.....	90	39	4	9.10	6.83	9.22	6.04	2.19	44	6.38	In very speculative position; increased fares needed.
United Light & Ry., com.....	...	...	4	9.25	2.41	4.41	8.63	6.51	48	15.52	Earnings improving. Plan for new franchise and good water and promising property.
Western Ry. Inv., pfd.....	39	10	0.00	3.06	3.54	4.46	3.38	24	14.98	Speculative; improvement in controlled companies helps.	
Western Union Telegraph.....	105	76	7	8.33	10.19	12.59	14.40	11.64	84	12.96	Large assets; business showing steady expansion.

* Par reduced from \$100 to \$25 in 1916.
† Stock extra 2½ per cent.

† 1919—12.15. ‡ 1919—5.80.

a Stock Extra 9% per cent. b Extra 13 per cent in stock.

Stock extra 2½ per cent.

S.U. Smelting's Prospects

Coal and Silver the Basis of Company's Prosperity and Prospects—
Financing Property Out of Earnings—The
Position of the Common Stock

By JACOB H. SCHMUCKLER

THE sharp advance in U. S. Smelting, Refining & Mining common from its low of 43¼ in January, 1919, to a point where the appreciation in price is about 75 per cent, and the increase in dividend from \$5 to \$6 annually, merit attention. As a whole the smelting and mining companies have not been very prosperous since the signing of the armistice, and they have suffered severely from higher costs, labor difficulties and the absence of any wide demand for their products, excepting coal and silver.

Under such conditions, an analysis of the causes for the great advance in U. S. Smelting common should not only prove very interesting but quite necessary in order to predict the future course of the stock. The big questions are: does the present quotation discount all the possibilities of the company or not? Or does it over-discount them? With these questions in mind let us analyze the corporate structure, earnings, properties and assets of the company.

Coal and Zinc Properties

U. S. Smelting, Refining & Mining was incorporated in January, 1916, to engage in the mining, milling, smelting and refining of all metals, including coal and oil. The company produces copper, lead, silver, gold and coal, and until the middle of 1918 was quite a large zinc producer. It owns a number of mines in the United States and Mexico, but is also a large purchaser of custom ores under long term contracts for smelting and refining. In fact, aside from its very rich mines in Mexico and the coal lands in Utah, U. S. Smelting & Refining has generally not met with much success in its strictly mining investments, but has relied heavily upon custom ores to supply its smelters and refineries. An accompanying table shows the produc-

tion of different commodities since 1912.

The coal side of the business is represented in the Utah Company investment, which property U. S. Smelting controls. The subsidiary property in turn controls 8,016 acres of coal and 8,227 acres of iron-coal lands in Nevada and Utah estimated to contain 123,000,000 tons of coal in one seam alone, of which Utah Company owns 103,000,000 tons. In addition the Utah Company controls the Utah Railway, which connects the mines with a number of railroads, thereby insuring excellent transportation facilities. The equipment and terminal facilities are all controlled by the road. The total investment of U. S. Smelting in the Utah Company is about \$16,000,000. While previously hampered by lack of proper transportation facilities, conditions are such now that the production can be adjusted to the demands.

Indications are that unless the production is hindered by labor difficulties it will be materially increased. The property is in a position to benefit from higher coal prices as a number of large, long term contracts expired in April, 1918, and will have to be renewed on higher price levels. The annual reports do not give enough data to calculate the profits of the coal property, but its outlook is very encouraging, considering the demands along with the threatening shortage in the supply.

The zinc department is represented for the most part in the control of the U. S. Smelting Co. The zinc properties were acquired in 1915 and 1916, the company previously having done practically nothing in zinc. The cost of the zinc properties was about \$1,530,000. All of the company's zinc smelters were shut down because of the insufficiency of the natural gas supply and absence of demand, and have not yet been reopened. The fact is that the company

has been cutting down its zinc production since July, 1918, and it is understood that it contemplates going out of the zinc business entirely.

This should give stockholders no concern, however, for the zinc business is as a whole not very profitable, and the company got into it at a time when it was enjoying a prosperity such as it had never before and may very likely never see again. The large profits made by the company have enabled it to down the loss.

Copper, Lead and Gold

The mines of U. S. Smelting, Refin-

are stated to be non-operative at present, except for some development work.

The output of copper increased substantially during the war period and was a source of great revenues to the company, as it always has been and always will be, but there has not been any remarkable change in this department of the business and none can hardly be looked for in the early future. The most interesting question in connection with copper now is when will the large demands actually begin to assert themselves. In time the consumption of copper will undoubtedly



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Ball mills in copper plant, where ore is crushed before going to chemical tanks to be concentrated.

ing & Mining produce a very small portion of the ore from which it smelts and refines copper and lead, custom ores contributing most of the supply. The U. S. Refining Company owns an electrolytic refinery at Chrome, N. J., having an annual capacity of 180,000 pounds and a copper smelter of 200,000 annual capacity. The copper smelter purchases its ores on long term contracts from mines located in South America, Cuba, Spain and the western part of South America. There is also a smelter at Kennett, California, which receives some ore from the Mammoth properties which U. S. Smelting owns, but these are still in the development stage, and most of the ore is bought on contract. The California properties

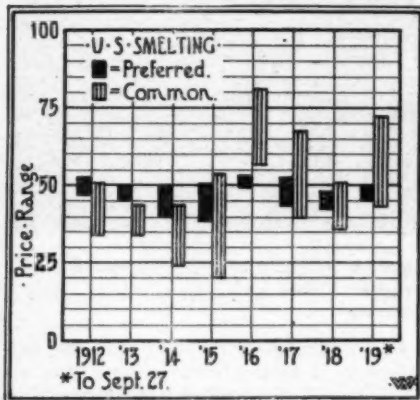
be unparalleled in size, and the early future is rather encouraging.

The U. S. Refining Company also owns a lead refinery having an annual capacity of 720,000 tons. The Mexican properties are large producers of lead. The U. S. Smelting Company has a smelter having an annual capacity of 481,800 tons at Midvale, Utah. The prospects of the lead department appear to be very bright. The demands for lead will be large, and even today they are running close to the supply despite the dullness in the other metals. Higher prices for lead are coming in the opinion of the trade, and U. S. Smelting & Refining would benefit to a great extent from these developments in view of its immense output.

U. S. Smelting's output of gold is small, but it is a comparatively important item in its gross income. The metal is secured in large measure as a by-product in the electrolytic refining of copper. The Gold Road mines located in Arizona were shut down in 1918 because of high costs and are not being reopened until conditions become more favorable. As things are today, gold mining is not generally a very profitable business and while gold contributes a rather significant proportion of U. S. Smelting's gross it is very likely that the net earnings from this source are not material. Under these conditions the reduction of the gold output, except as a by-product, is a favorable rather than an unfavorable consideration.

Silver and Mexico

The most interesting phase of the company's many-fold activities is its



silver business in connection with which its Mexican properties become very important. The silver business of the company is the strongest point for the continuance of its prosperity. U. S. Smelting is one of the leading producers of silver in the United States, though its Mexican investments yield a large portion of the total supply. The production of the white metal declined sharply in 1914 compared with 1913 owing to the low prices, but it has advanced sharply since, the actual increase being about 50% in the 1918 output compared with that of 1914.

The Mexican properties consist of 180 mining claims located in the state of Hidalgo. They cover an aggregate of 4,720 acres and in addition about 26,000 acres of agricultural lands. In August of this year, the Santa Anna territory comprising about 200 acres of some of the richest silver lands in Mexico were acquired. At present there are two mills operating, which in 1918 treated about 690,000 tons of ore, and it is stated that operations now are at the rate of about 960,000 tons annually.

The operations of the property were hampered during 1916 by a variety of difficulties. In the first half of the year both mills operated, but in the second half only one was running, and that on part time. During 1917 things did not change very materially, but in 1918 operations became quite normal. With little interruption, however, extensive development work was going on among rich ore bodies, so that there is plenty of ore for the mills to work on. The working among high-grade ores has brought costs down, but they are still much above normal.

The present production of the Mexican properties is at the rate of about 82,000 tons monthly. Their outlook is very encouraging, and they are a valuable part of U. S. Smelting's assets. A larger output is expected and a third mill having a monthly product of about 15,000 tons is contemplated.

The Income Account

The records of U. S. Smelting & Refining are very complete, but the income account does not give the gross earnings so that a detailed study of the volume of gross business and operating efficiency and costs are not possible. Operating income is the first item in the income account. The figures are after deduction of costs of operation, selling expenses, repairs and federal taxes (excepting in 1918) but before depreciation, depletion and exploration reserves.

Owing to the uncertainties created by the outbreak of the European war and the low prices for coal and the other metals handled by the company,

the 1914 year was the poorest in the history of the company. The operating income was only \$2,932,519. The war naturally gave a great impetus to advances in earnings and in 1915 and 1916, the operating income was \$7,579,184 and \$9,737,664, respectively. In 1917, the operating income declined to \$5,769,391 and in 1918 it was \$7,249,533 before deduction of Federal taxes.

When these figures are considered along with the statistics of production, the effects of higher costs are clearly seen. The cost of materials and supplies increased substantially over pre-war levels; wages advanced sharply and there were great difficulties as to the efficiency and scarcity of labor. In fact the scarcity of labor caused sharp contraction in a number of the company's activities, especially in some of its development work.

of many properties that U. S. Smelting is interested in and the large development work it does the large amounts set aside for these purposes are very important. In justice to the company it should be stated that a number of the mining properties it now holds are not yet developed to the point where it can be definitely stated as to whether or not they have possibilities or potentialities.

Net income followed the course of operating income very closely since the close of 1913. The 1914 figure was \$2,265,641; in 1915, it advanced to \$6,592,324; in 1916, to \$8,898,464; in 1917, it declined to \$3,505,315 and in 1918, advanced to \$4,775,090 (before deducting Federal taxes). As interest charges are cared for among operating expenses the net income theoretically is all available for dividends on stock.

STATISTICS OF PRODUCTION

Metal	1918	1917	1916	1915	1914	1913	1912
Copper (pounds)	20,359,378	29,043,242	28,888,093	26,923,674	17,946,659	20,239,973	21,152,620
Lead (pounds)	96,567,485	107,519,570	103,855,451	87,102,179	64,443,260	58,116,504	56,385,769
Zinc (pounds)	18,771,684	53,590,446	64,584,001	34,105,471	.....	.....	.....
Silver (ounces)	15,337,465	13,000,187	11,647,205	12,701,863	9,936,237	13,089,708	12,059,829
Gold (ounces)	137,315	109,612	129,273	196,481	124,719	148,372	140,183
Coal Produced— (tons)	1,272,081	906,638	756,931	707,559	703,936	869,522	620,788

The policy as to the appropriations for depreciation, depletion and exploration reserves is very liberal. The management of the company is first-rate, and the exploration department is very aggressive for the company is always needing new sources of ore supply, and has generally not met with much success except in Mexico and in its Utah coal properties. This great dependence upon custom ore is a favorable point for the company in some ways, but the marked absence of any large mining properties of its own in the United States to supply its smelters and refineries along with the ill success it has generally had with the propositions it has handled are hardly very encouraging. Of course the real answer to this question depends upon the nature of the contracts that the company has with other concerns for the supply of its ore. Still in view of the rapid depletion and depreciation

The preferred stock earned 9.32% in 1914 and the common, 3.21%. The largest rates earned came in 1916 when the preferred earned 36.60% and the common, 40.99%. In 1918 the senior issue showed earnings at the rate of 19.64% and the common stock, 17.50%. Based upon the results in the first half of 1919, the preferred should earn about 16.78% for the entire year and the common, 6.78%, but the final showing will be considerably better as the common earned about \$4 in the quarter ended September 30, 1919, and the indications are that the last three months will be even better than the three previous ones.

Additions to Property

The balance sheet of 1906, the year of incorporation, carried the properties of U. S. Smelting at \$35,685,958, compared with \$71,640,151 at the end of 1918, an increase of about 100%. The

additions to the property were made very largely out of earnings, and excepting the \$12,000,000 of convertible 6s issued early in 1916, there has been no very important change in the capitalization since incorporation. These convertibles were issued to acquire the Utah Company investment, and the proceeds were used to retire \$10,000,000 of 5% of the Utah Company, which U. S. Smelting carried as contingent liability and partly to retire a \$4,000,000 5% issue due in 1918.

The property has therefore been financed very largely out of earnings, and we have the exceptional condition where the property account of a company has legitimately doubled while capitalization has increased about 28 per cent. The amounts appropriated for additions were in addition to the large sums for depreciation, depletion and exploration reserves.

The working capital is large, but generally has shown comparatively little change as a total since 1914. The company has always carried heavy inventories, and at the end of 1918, these amounted to \$13,329,710, of which \$5,271,678 was fuel, supplies and timber. The value of the inventory is figured on the basis of market prices at the end of 1918, excepting for copper which is arbitrarily taken at 20c. As the prices of practically all metals and coal have advanced since the beginning of the year the value carried for the inventory is undoubtedly too small. An interesting item in the current liabilities is a \$3,568,746 reserve for interest, taxes, refining, commissions, etc. The company has been carrying a heavy reserve for these purposes for years, which attests to the conservative management.

The balance sheet does not, however, show up very favorably the cash position of the company. As of Decem-

ber 31, 1918, the amount of cash and Liberty bonds was only \$2,045,948, an advance over 1917, but a marked decline from the end of 1916. This is to be attributed to the large increase in the inventory and an improvement in the cash position is to be looked for as soon as some of this is liquidated.

Capitalization

The outstanding capitalization consists of \$12,000,000 6% convertible notes, due February, 1926, \$24,317,500 7% cumulative preferred stock and \$17,555,750 of common, par of both classes of stock being \$50.

The convertible 6s are quoted at 106 $\frac{1}{4}$ to yield about 4.75% to maturity. They are a direct obligation of the company, but are not secured by any mortgage. They are convertible into the common at 75 until maturity. While no longer attractive as an investment for income, the conversion privilege has first-rate possibilities.

The preferred stock is quoted around 48 to net 7.30%. The dividend requirements are being earned with a wide margin and the net tangible assets are about \$116 a share so that the stock is well protected with large asset values. The marketability is good, and the issue is attractive as a conservative investment.

The common is around 74 $\frac{3}{4}$, at which price the rate of return is more than 8%. The sharp advance has already undoubtedly discounted a large part of the prosperity and prospects of the property, but it has not completely done so. The outlook for U. S. Smelting appears especially bright, and as a long pull holding the common is still attractive. The sharp advance has, however, weakened its technical position considerably, and the stock may very likely see lower prices temporarily before it moves upward.

NEW YORK IS WORLD'S FINANCIAL CENTER

"The financial center of the world is New York," said Dr. Hans Honegger of Zurich, Switzerland, member of the Swiss mission of economic studies in the United States, in speaking of Germany's present financial condition. "London will never regain its financial prestige. Germany's currency is about one-sixth of its par value and it is a question whether that nation will recover or whether it will become a bankrupt. A great deal of its currency has been taken to neighboring countries."

Island Oil's Gushers

The Company's Prosperity Not Dependent Upon the Famous Tepetate No. Nine—Par Value of Its Present Wells

By B. L. GOODRICH

ISLAND OIL has had remarkable success in achieving the goal of all operators—the bringing in of gusher production.

The first of these, its monster Tepetate No. 9—"La Libertad" well, came in with a flow of about 75,000 barrels daily, and under control was apparently capable of producing 20,000 barrels every working day. This is the well which is claimed by Metropolitan Petroleum, resulting in the famous lawsuit, discussed in our issues of August 31 and September 28, 1918. This suit it still under consideration by the Courts.

Island Oil officials state that they own the adjoining property, Tepetate No. 8, not in dispute, on which they can bring in an off-set well of equal size. The "La Libertad" well some months ago began gushing salt water along with the oil, and although it has been explained that this is a normal expectancy and the salt water content is not in excess of 5 per cent, this well was shut down and oil contracts supplied from Island's other properties.

Only the end of the drill can tell where oil lies, and no guess is justified as to the possibilities of the adjoining undisputed territory. Tepetate No. 9—"La Libertad" is surrounded by the huge gushers of the Texas Company, Atlantic Gulf & West Indies, Mexican Eagle and Mexican Petroleum companies. It was announced recently that the corporation proposes to drill an "offset-well" to a gusher recently brought in by Atlantic Gulf & West Indies on the latter's Tepetate holdings, within 500 yards from the spot where Agwi's drills struck oil.

With its dual burden of disputed ownership and the salt-water factor, Tepetate No. 9 must be "counted out" for the time being. Too much importance need not be attached to the salt-water story, as dilution of this kind is

of frequent occurrence in Mexican gushers, and by proper regulation of the pressure through the closing of gate-valves that admit the oil, the entire flow—salt water and all—can be controlled.

Other Important Wells

Chinampa No. 162, with an initial flow of 100,000 barrels daily, appears to be the present big bread-winner of the Island Oil Corporation. This well, which has probably been tuned down to about 20,000 barrels daily, ranks with the world's largest gushers, among which the Cerro Azul and Casiano No. 7, both belonging to Mexican Petroleum are the leaders. The latter is about one mile north of Island Oil's big find.

In the Comales field the corporation succeeded in bringing in a gusher, which, although of smaller caliber so far as quantity is concerned, is said to be of much higher grade than ordinary Mexican oils. It has also been hinted that the corporation could "uncap" other minor wells that would largely compensate it for the entire loss of the troublesome Tepetate No. 9.

It was last reported that about 30,000 barrels of oil were being drawn off its wells daily, to which production Chinampa No. 162 was contributing about 20,000 barrels. It is probable that the present policy is not to allow figures to be disseminated until the lawsuit is out of the way, but it seems clear that production could well be around 50,000 barrels daily even now, which could be doubled within the next year. Actual shipments under contract seem to around 25,000 barrels daily at the present time.

Mexico has either been extremely kind to Island Oil, or the corporation has traveled in good company by choosing the most promising locations in the best fields, its holdings approximating 30,000 acres in likely areas.

More important than the size of these holdings is their location and the fact, thus far demonstrated, that what Island Oil goes after with the drill—it gets.

The actual value of these gushers is impossible to estimate, as no one can measure up the quantity of oil in, nor the depth of any particular pool. The famous Portrero del Llano of Mexican Eagle produced 25,000 barrels daily for many years and yielded a fortune to its owners: The Cerro Azul of Mexican Petroleum started its career with a flush production of 250,000 barrels, and wasted 800,000 barrels before it was placed under control: it is now allowed to produce 30,000 barrels daily and is going strong. Its Casiano well has been flowing about 30,000 barrels daily since 1910: it can produce 50,000 daily, and has already given up 100,000,000 barrels of good oil. While there is always the menace of salt-water or other catastrophe, Mexican gushers yield fortunes in oil before they give up the ghost.

Possible Value

The writer has heard it stated that officials of Mexican Petroleum consider their big gushers still worth more, intrinsically, than the entire capitalization of their company, which is over \$50,000,000. This estimate probably includes their other giant well, Chinampa No. 1, good for 50,000 barrels daily. Mexican Petroleum has already returned to its preferred and common stockholders about \$100 a share in dividends—the equivalent of its capitalization: of this about \$35,000,000 was earned in the last eight years. Its production has doubled in the past few years from around 9,000,000 to over 18,000,000 barrels, and the selling price has advanced from about 50 cents to \$1.50 a barrel.

It is evident that in operating in the same fields, similar conditions should largely prevail, making a comparison possible. The writer would say that Tepetate No. 9 and Chinampa No. 162 of Island Oil are worth at the lowest estimate, \$10,000,000, with potential values far in excess of these figures. Its capitalization of \$30,000,000 in common stock of a par value of \$10, of which \$22,500,000 is outstanding, was originally some-

what hopeful, but it is not now too cumbersome to stand behind a company that has brought in three wells capable of producing from 35,000 to 50,000 barrels daily, and is already delivering over 8,000,000 barrels annually. Its additional 7 per cent gold notes totaling \$1,500,000 is also not a serious added burden.

The corporation also owns some very promising looking properties in Cuba and South America. Through the Antillian Corporation of Cuba it owns a controlling interest in 38,000 acres of prospective oil lands some 18 miles south of Havana, and through the Colombia Petroleum Syndicate, Ltd., has selected 125,000 acres in the Republic of Colombia, which are well situated on navigable rivers giving convenient and cheap transportation. These lands are yet prospective and no opinion is possible regarding their oil values.

The corporation has in recent months organized the Island Refining Corporation with a capitalization of \$4,500,000 in bonds and \$10,000,000 in stock—the latter entirely owned by Island Oil. The Refining Corporation intends to build three refineries to handle 5,000,000 barrels of crude oil daily, and they will be located at Palo Blanca, Mexico, the Cuban seaboard, and in the United States adjacent to the Gulf Coast. This subsidiary is fully financed and the outlook for its business seems promising. An estimate of about \$2,500,000 annually in net income before taxes is looked for when operations are in full swing.

Customers include the Union Oil, Sun Oil, Atlantic Refining, Magnolia Oil, Eastern Potash, Interocean Oil and other companies. Island Oil's contract with the Atlantic Refining Company is believed to be for over 6,000,000 barrels of oil; the contract price is not known, but Tepetate oil at Mexican loading ports commands from 50 cents to \$1 a barrel, and well above this price if the company delivers to American Gulf Coast ports, which it is able to do in part at this time. It has some barges, and with war restrictions removed, tankers will probably be available to take away the oil flowing through its

pipe-lines. In this connection, Island Oil is very advantageously situated in piping its Tepetate production to seaboard through ownership of one of the shortest eight-inch pipe-lines for the loading of ships on the Gulf coast, which connects "La Libertad" with its Palo Blanco loading station. The short run makes for economy.

Another Mexican Petroleum?

This is the question often propounded, and in many ways comparisons may be made with the leading Mexican producer. It has been estimated that from 3,000 to 5,000 barrels of production daily will take care of all expenses and taxes on its present capitalization, and it is claimed that Island Oil is more modestly capitalized considering its production, development, expansion and promise than any other oil company.

There are many gratifying features, such as the extraordinary success attained in bringing in new production,

the reception accorded its financing, including its refining subsidiary, and the acceptance of the corporation by the larger companies as a live growing producer. Those behind Island Oil have done and are doing everything in a big way, and so far have been eminently successful.

If the tendency to expand beyond demonstrated earning power does not become chronic, a prosperous future for the corporation seems entirely probable, despite obvious handicaps that now surround it. It is my belief that although the shares have advanced substantially from their low levels, a price of $7\frac{1}{2}$ -8 is not too much for an interest in this corporation—if its longer range future is borne in mind. Of course, the Mexican situation (which also includes the Metropolitan Petroleum wrangle) might hold back the price, and even depress quotations temporarily. It is said that a settlement favorable to Island Oil is imminent.

THE WORLD'S BIGGEST GAS WELL



It is estimated that not less than 25,000,000 cubic feet of gas—and possibly double that amount—flows each day from this well, which is near White Point, Texas. When uncapped, as shown in the photograph, the gas rushes forth from the earth with a deafening roar. As in the case of this well, gas often is under immense pressure. At Humble great gas wells were found that swallowed rigs and derricks and were uncontrollable. At Goose Creek one of the first deep wells drilled blew out, destroying the derrick and depopulating the village.

In addition to furnishing fuel for lighting, heating and industrial purposes, petroleum gas supplies two valuable products—gasoline and carbon black. Gasoline is obtained by passing the gas into oil, which absorbs the gasoline. The gasoline is distilled from the oil and the latter is used again. It is estimated that each 1,000,000 cubic feet of gas from this well will yield about 300 gallons of gasoline. After the gasoline has been extracted, the gas is burned in a slow blaze without sufficient oxygen and carbon black is deposited on plates.

COMPARATIVE RATINGS OF OIL STOCKS

Based on the Earnings and Assets of the Companies, Dividend Prospects,
Capitalization, Management, Etc.

FOURTH SERIES—THE MISCELLANEOUS GROUP.

The fourth series deals with oil securities that are traded in "over the counter," exclusive of the Standard Oil Group (classified in our July 5 issue). Attention is directed to the danger surrounding investments in the majority of new issues of uncertain value sold to the public for hundreds of millions, with probable values of 10% of parity. We refer to "Warning on Oil Promotions" in our June 7 issue.

Name	Par	Capital	Last Reported or Estimated Surplus	Annual Dividend	App. Price	3-Yr. Av. High Low	Net Rating	Remarks
Boston Mexican Pet..	\$1	\$230,659 Bonds 6% Notes \$225,000 1919-1920	Not published	None	4¼	6 4	D	Developing HARMON GUSHER, Panuco, Mexico. Has possibilities.
Pet. Corp. of Am.....	\$5	\$60,000,000		None	3	New	D	Estimated production 35,000 barrels daily. Takes over Okmulgee and 9 other companies. Capitaliza- tion seems ambitious.
Atlantic-Lobos Pet... No Par		500,000 Shares			84	New	B	Merges Port Lobos Petroleum and Atlantic Oil Co. (Sub. of Atlantic Refining).
	\$50	\$10,000,000 8% Cum. Pfd.			112	New	A	A great marketing and producing company.
White Eagle Oil & Ref. No Par		150,000 Shares		None	25	27 20	B	3,600 acres Kansas & Oklahoma. Net last year \$744,767.
Trinity Oil Corp.....	\$1	\$1,000,000	New Co.	None	1½	New Co.	D	14,000 acre Leases. Ranger, etc., Texas. 10,000 barrels monthly. Development proposition.

Ajax Oil Co.	\$10	\$1,500,000 Class "A" \$3,000,000 Class "B"	New Co.	\$1.20	10	10	10	D	Burknett, Texas, 1,000 barrels daily reported (\$2.25 bbl.). "A" stock is preferred.
Guffey-Gillespie Oil.....	No Par	500,000 Shares	Not published	None	22	25	18	C	Mid-Continent, W. Va. and Texas—leases 200,000 acres. Daily 2,000 barrels.
	\$100	\$2,000,000 7% Cum. Conv. Pfd.		\$7	Not traded in			B	Good sponsorship and prospects bright.
General Petroleum....	\$100	\$13,490,200	\$4,382,090	\$12	\$156	160	100	B	A leading California Producer—5,000,000 barrels annually.
	\$100	\$3,212,200 7% Cum. Preferred		\$7	\$103			A	
Gulf Oil Corp.....	\$100	\$34,631,600	\$47,836,209	\$6	\$460	475	275	A	Entitled to front rank as leading producer and refiner. "Gulf" brands standard.
Tex. Pacific Coal & Oil		\$6,000	\$6 (with substantial extras and rights)	\$1,700	2,000	300		B	Discovered Ranger Pool and dominates that field. Holds 400,000 acres N. W. Texas fields. Largest holder proven high grade oil lands.
Tide Water Oil.....	\$100	\$31,900,000	\$15,719,287 and extras	\$8	240	250	165	A	Net assets \$142 a share. Controls 70,000 acres in 5 states; 4,000 wells; 10,000 barrels daily. 4,600,000 barrels 1918.
Union Oil of Cal.....	\$100	\$43,567,440	\$20,000,000	\$10	160	160	65	A	To be controlled by Commonwealth Petroleum. \$160 a share for control. 240,000 acres California. Produced 8,271,084 barrels in 1918.
Union Oil of Dela.....	No Par	1,000,000 Shares	Cash Capital None	\$40	New Co.				To control Union Oil of California. 11,000 acres California and Mexico.
Ventura Con. Oil Flds.	\$5	\$2,479,385	About \$11,000,000 \$637,927	None	14	18	5	C	Producing 3,500 barrels daily. Earning about \$2-\$3 a share.

EXPLANATION OF RATINGS

Rating "A" means high grade; "B," a business man's investment; "C" represents a speculation having legitimate possibilities. Ratings are assigned upon a number of factors. The ratings are not an infallible guide, but intended to classify the securities, their status, etc., in order of merit (market price considered).



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Women in Spic and Span Uniforms Packing Candy.

Candy Stocks Enter Wall Street

Sweets Company and Continental Candy Prove Popular With Traders—Earnings and Outlook

By CAMERON ROBERTSON

PROHIBITION, the high cost of high living, the luxury tax, and many other factors could be discussed with propriety in speaking of the rapid growth of the candy business in the past year or two, but Kipling will have us tell other stories at other times. This article deals with the assets, earnings, position and outlook of the Sweets Company of America and the Continental Candy Company, the stocks of which were brought out on the New York Curb a short time ago.

Sweets Company of America

The Sweets Company of America, incorporated under the laws of Virginia several months ago, took over a company of the same name at its formation, and also consolidated with it the Lance Cough Drop Company, Incorporated. It manufactures, among other things, the well-known "Tootsie Rolls." It has a large factory in New York City.

Sweets Company has a capitalization of \$5,000,000, par \$10, of which \$3,000,000 is outstanding. It has no funded debt. Prior to the recent sale of about \$1,000,000 of its capital stock to the public, this company was largely a private concern, but recently its stock has been quite active on the New York Curb,

where, at this writing, it is selling at about \$12 a share.

It is stated officially that the company's orders during the past few years have far exceeded its operating capacity, and one of the objects of the re-incorporation and merger was to enlarge capacity to a point in keeping with the demand for its products. It is also planned to increase production of the new company by making it possible to use the plant of the Lance Cough Drop Company throughout the year. Hitherto, it was only operated from September to March.

The companies taken over had gross sales of \$1,323,033 in 1918, with net profits that year of \$111,675 before taxes. In the first six months of the current year, gross sales were about \$900,000 and net profits before taxes about \$155,000. It is estimated that after allowing for taxes and other expenses, net earnings available for dividends from the old capacity of the company would be at the present rate of about 1 per cent on the capital stock, with sales for the year to next July 1 expected to be above \$3,000,000.

Advertising has been one of the biggest factors in the growth of the Sweets Company, with above \$500,000 spent on publicity since the company was formed.

This has established its products with sufficient firmness to make it possible to add several new brands, which is to be done shortly.

With the new brands and with the addition to its capacity, it is believed that within the year, Sweets Company will be earning at a rate of close to \$2 a share annually on the stock.

A balance sheet of the company as of June 30, 1919, shows real estate plant and equipment, \$567,052; cash, \$327,422; good will and patents, \$780,000 and \$90,217 for inventories, with minor items making \$1,843,415 total assets. The important items among the liabilities are \$157,500 mortgages on real estate; \$86,568 liability on contract and \$282,581 notes and accounts payable. Capital stock is placed at \$1,276,317, of which \$350,000 was cash paid in and \$926,017 as the valuation at which the stock of the old Sweets Company and the Lance Cough Drop Company were taken over.

The Continental Candy Company

This company was incorporated under the laws of New York several months ago, taking over at its inception several candy factories, part of which had been previously owned by the Corn Products Refining Company. The Continental Candy Company now owns a large factory at Jersey City and another at Chicago, in addition to other small plants. Its total employees number over 700, and it has machinery and utensils for the manufacture of all kinds of candy, confectionery supplies, etc.

The capitalization is fixed at 500,000 shares, of no par value, of which all have been issued. A portion was sold to the public at \$8 a share and the balance was given for some of the properties acquired at the time the company was formed. The declared capital of the company at the time it started business was \$2,500,000. It has no funded debt.

The figures of production of the factories acquired by Continental Candy tell the story of the recent rapid growth of the confectionery business, and if all that is believed about the future effect of prohibition on the candy business proves true, within the year, the company ought

to find an outlet for much more than its present production of about 3,000,000 pounds per month. The factories which were taken over produced a total of 19,000,000 pounds of candy in 1917, about 20,000,000 pounds in 1918, and about 11,000,000 pounds in the first six months of 1919. The new company, with some enlargements of plant and other additions to the business, also with its goodly amount of new capital, is expected to show a total of 18,000,000 pounds produced and sold in the second half of 1919, with plans for 1920 production of

Comparative Statistics

Continental Candy—Sweets Co.		
Capital	500,000 shares	\$5,000,000
	No par	Par \$10
Funded debt..	None	None
Estimated Current Earnings	\$1,500,000 Per Yr.	\$500,000 Per Year
Estimated Annual Production	35,000,000 Lbs.	No Data Available
Total Assets...	\$2,841,529	\$1,843,415

above 40,000,000 pounds, or more than a quarter of a pound for every inhabitant of the United States.

It is through the belief that with this jump in business there will be a corresponding increase in profits that the recent offering of the stock carried itself so successfully. In 1917, an audit of the books of the factories acquired showed total net sales of \$2,668,496, with net profits before taxes of \$184,477. The 1918 net sales were \$3,732,156 (an increase of close to 40 per cent whereas total production only increased about 5 per cent) with the net profits before taxes in 1918 amounting to \$804,559, an increase of more than 600 per cent in net.

Taking these figures, and calculating that prices for the product have advanced as fast or faster than the increases in wages and the higher cost of manufacturing, it can be estimated that net profits in 1919 ought to increase to close to \$1,500,000. At this figure, it would be \$3 a share of earnings for the outstanding stock. Some estimates place the probable net for 1919 at closer to \$4 a share, and estimates for 1920 have been

made at well above that figure, but taxes will probably cut down these figures.

The stock was listed on the New York Stock Exchange shortly after its introduction to trading on the Curb and has advanced to a high of about \$14.50 a share. At this writing, it is selling at above \$12 a share.

Continental's Assets

The Continental Candy report to the New York Stock Exchange for the six months to June 30 showed sales of \$1,985,644 and net profits of \$416,311. Its balance sheet as of June 30, 1919, placed the value of its factories, equipment, etc., at \$450,000; good will, trade marks and trade names, \$1,109,653; current assets \$1,188,576; and minor items made up the total of \$2,841,529 assets. In the current assets were \$232,215 cash and \$760,004 inventories (at cost or less).

Accounts payable were \$91,529, leaving \$250,000 surplus in addition to the \$2,500,000 declared value of the capital stock.

In line with its policy of expansion, the company has taken over the control of Buddy Buds, Incorporated. The right to purchase 70,000 shares of no par value of Buddy Buds at \$5 a share has been given to Continental stockholders. The Continental owns a majority of the 200,000 shares total capitalization of this new subsidiary which has been engaged in manufacturing and selling confections under various trade names for several years.

Well Fixed for Sugar

Years ago, no one ever thought of such a thing as inability to get sugar, but one of the first things that would be asked about a candy, cake or other confectionery concern today is "Can they get enough sugar?"

The writer has been unable to ascertain the exact amount of sugar on hand in the factories of either Continental Candy or Sweets Company, but it was

stated that there was a surplus put aside by each of them in anticipation of a possible shortage in this commodity later; also that there is enough on hand in addition for operations for several weeks to come. Each company has also contracted far in advance for future supplies.

During the next few months, it is anticipated that there will be a curtailment of operations by the many small confectionery manufacturers because of sugar scarcity and probable higher prices; hence the foresight of the larger companies in preparing for a possible shortage may add considerably to their sales.

Stocks Are Speculative

An impartial opinion of any new business enterprise cannot overlook the fact that anything new has its speculative drawbacks. In the case of the two candy stocks which have been described above, there are added features of a speculative character in that each company fails to possess the solid backing of tangible assets that are looked for where the term "conservative investment" can be used to describe a stock.

It is not as seasoned investments, however, that they make their bow to public notice. The great appeal of each of them is through hope of continued growth in business and addition to earnings, and also in expectation of good dividend payments in the near future.

In the course of years, it is to be expected that a reasonable portion of the Continental and Sweets Company earnings will be put back into the properties, that they will add to the "investment value" enough to give each good book values and also that the earnings will be enough to have paid a good return in dividends in the interim. Such a conclusion can be drawn from the progressive growth of each of these companies in the short time that they have been operating.



McCord in two Profitable Lines of Business

Both Motor Accessories and Railroad Equipment Good Income-Bringers—Strong Position of the Preferred

By ELI S. BLAIR

A PRIORI one should expect a good earnings for any concern, especially one still young and growing fast that is engaged in the production of both motor accessories and railroad equipment. In fact, this is the position of the McCord Manufacturing Co., a re-incorporation in 1916 of a former company of the same name.

The company has contracts to supply automobile radiators to some of the largest manufacturers, among others the Studebaker, Dodge, Chalmers, Packard, Chevrolet, Oakland and General Motors Truck. Among the company's other important products are lubricators for steam and gas engines and fixtures for railway cars. The last branch of the business should, of course, show more profits later than it does at the present time, because of the well-known delay in railroad orders, but it is common knowledge that the railway equipment business is very good at the present

of the two industries for which the company manufactures accessories, the net earnings, which are the vital concern from the investment point of view, seem to depend largely on the labor situation, which just at the present time is particularly unsettled. Should the steel strike continue for any length of time it would seriously disturb the company's earnings by cutting off its supply of semi-finished steel products.

Both from the point of view of labor costs and that of raw material supply, then, the company will depend for its prosperity this year to a large extent on the conclusion of the steel strike now being waged. This adds a speculative tinge to the company's outlook which cannot be disregarded.

Financial Structure

The company has authorized and outstanding \$1,500,000 of first serial 6s, with maturity dates from July, 1920, to July, 1931. They are a first lien on the lands, buildings and equipment of the company, and the trust deed securing this issue requires that the company maintain quick assets at all times of double the amount of current liabilities, exclusive of the funded debt. The company pays the Federal income tax to the extent of 4%.

Next in order of seniority comes the issue of \$670,000 preferred, out of \$1,000,000 authorized, and exclusive of \$80,000 retired since issue. The stock pays 7% annually and is cumulative. It is unusually well secured by the terms of issue. For instance, no additional funded debt can be created without consent of 75% of the preferred.

Of the common stock, 75,000 shares of no par value, the total authorized, is outstanding. It received dividends of \$1 quarterly from April, 1917, through July, 1918. Since then it has been getting 50 cents a quarter. The preferred stock has received its dividends regularly.

The balance sheet of December 31, 1918, shows current assets of \$2,789,393 and current liabilities of \$1,892,210, leaving a net working capital of \$987,183, a sufficient margin above the amount of preferred outstanding to permit of dividend payments on the common. The latter is carried on the books at \$1,374,659, or about \$18.33 a share.

The bonds of the company appear to be well-secured and a good investment for a short-term industrial issue. The preferred stock has been especially safeguarded by the provisions of the terms of issue, and should be unusually sound. The common appears to have long-pull prospects.

	Gross Earnings	Net Earnings	Oper. Ratio
1914.....	\$1,490,012	\$140,042	9.4%
1915.....	2,569,052	324,473	12.6
1916.....	4,554,361	675,087	14.8
1917.....	6,353,040	747,615	11.8
1918.....	7,215,751	267,676	3.7

time, and accessories are sharing in its prosperity.

For the production of its varied output the company has four plants located in Detroit and Wyandotte, Mich., and Walkerville, Ontario. This assures the company of a fairly constant labor supply because of the presence of other large manufacturing enterprises in the same neighborhood. These four plants together have a total floor space of about 300,000 square feet.

Growth in Earnings

As shown by the accompanying table, the gross earnings of both the older company, which was incorporated in Maine, and the present concern, which is legally domiciled in New York State, have steadily increased since 1914, and with the exception of last year, net earnings have also increased. Because of the nature of the company's products, labor costs form a high proportion of the total costs of production, and it is no doubt because of the steadily mounting labor costs of the war period that the operating ratio, or proportion of net earnings to gross, declined so markedly in 1917 and 1918.

While a steady growth of gross business seems assured from the general tendencies



Grand Circus Park and Sky Line, Detroit.

Developments at Detroit

By JACOB NATHAN, Secretary of the Detroit Stock Exchange

IT is not mere gossip that is attracting the attention of the industrial and commercial world to Detroit. Actual accomplishment is the thing that is turning the trick. Motor cars, increasing population, beautiful Belle Isle, etc., are all wonderful talking points, but even these do not mean as much as actual figures; and Detroit certainly can produce enough figures to prove all the claims that are being made for it.

However, there is but one item in this line that we will cite here, and this is a most convincing one. In five months, from May to September inclusive, approximately one hundred building permits were taken out for factory additions; and more than one hundred permits were issued in the same period for entirely new factory buildings. This ought to be a sufficiently convincing truth that dynamic Detroit is doing things while other communities are still talking about them.

Col. Arthur Woods, at one time police commissioner of the city of New York, but now attached to the War Department, made a statement a short time ago which was given wide circulation. He said, in substance, that workmen should stay away from Detroit, as this city was completely overrun with men seeking jobs. Mr. Woods was both right and wrong; Detroit is the Mecca for skilled workmen, but the problem is not to get them jobs, but, rather, to find homes for them. Detroit's is not an employment problem, it is a housing problem. Inquiries at all of the largest employment agencies and the large factories dis-

closes that there is not a superabundance of skilled laborers unemployed in Detroit.

But even the remarkable growth of Detroit is not stumping Detroit's captains of commerce, industry, housing and sociology. While other communities have pondered and puzzled over rehabilitation, reconstruction, and re this and re that, Detroit has gone ahead and picked up all of its business where it was interrupted by the war. The result is that not only is Detroit leading all other cities in its class in construction, but it is estimated that Detroit will have a population of not less than one and one-half million by the middle of 1920. And the census of 1910 gave Detroit a population of 463,000!

* * *

The plan of financing home construction, under which the House Financing Corporation of Detroit is operating, is attracting nation-wide attention. It has become widely known as the "Detroit Plan," and inquiries come to the Corporation's office daily, from municipal officials, associations, housing experts and others interested in the housing problem in every section of the country.

The House Financing Corporation has been in operation only six weeks and in that period has developed three general classes of business. They are known as No. 1, the bank plan; No. 2, the operating plan; and No. 3, the contractors' financing plan. Under the bank plan the necessary money is provided for the home builder who owns his lot. Under the operation plan, the House Financing Corporation acquires suitable

sites, builds houses upon them, and then sells them on easy terms, to the home-seeker. Under plan No. 3 a contractor who may be building homes on sites approved by the corporation is financed in his operations.

This would seem to cover practically every contingency in community house financing and construction, but this Detroit Plan knows no such limitations. If any other resources become desirable the House Financing Corporation may be depended upon. The stockholders of the House Financing Corporation are leading Detroit employers.

Investment circles still believe that control of both Fisher Body and Kelsey Wheel will shortly rest with General Motors. At any rate, activity in both of these issues has been so pronounced that the local folks cannot account for it in any other way. It is hard to believe that Kelsey Wheel ran from 50 to 110 and Fisher Body from 60 to 145 purely on business account. Of course, both of these corporations have more business than they will be able to take care of for a long, long time. Local opinion is that if General Motors does get Kelsey Wheel it will have to pay considerably more than 100 for it.

Motor Products Corporation is attracting a lot of attention because of its remarkable earnings. Interesting developments in the line of dividend action were looked for by October 1, but all information on this score was refused by the company's office, at least up to the first of this week. The bulls on this stock insist that present prices, 61 to 65, are ridiculously low and are even talking about 150 within a year. They are basing this principally on the fact that the company's cash account is approximately two million; liquid assets close to four millions; only eighty thousand of common outstanding; and an extraordinary stack of orders on hand for motor parts. Total assets are approximately five and one-half million and the company has a funded debt at \$800,000.

Activity in Packard Motor Car around 185 draws attention to the very strong position of this corporation. It is claimed for Packard that its cars are being sold in larger volume than any other high-priced motor on the market, while its truck business is mounting in proportion. The sale of parts alone is now said to be in excess of three

millions per annum. Earnings for the year are estimated at approximately \$7,000,000. Book value of the common is figured at approximately \$200.

Reo continues to be a favorite. The price persists in hanging around the thirty-one mark, but the men on the inside believe that it is going to a considerably higher mark very soon. Outstanding capital on September 1 was \$6,937,250, and the best information is that the surplus is of approximately an equal amount. Big production—something like 200 sixes per day and about 100 trucks per day is getting under headway. On its financial showing and business prospects it is generally conceded Reo ought to be selling considerably higher.

Ford of Canada, which sold around 510 a few days ago, is, from all information available, in the same situation regarding possible business as Ford Motors is in the States. Positively reliable information has it that the Ford Motor Company has enough orders on its books today to keep its present facilities taxed to the limit for a period of three years without taking any additional business. Consequently, if scarcity of material does not interfere, the stockholders of Ford of Canada probably have some good things coming to them, in addition to the recent ten per cent. dividend. Canadian Ford has 3,000,000 of treasury stock awaiting distribution. Is this going to the stockholders in the form of a melon to be added to the \$7,000,000 outstanding?

Considerable interest is being shown in Columbia Motors. This company started production in January, 1916, and although operating in a very substantial plant has found it necessary to acquire a site for a large production plant, to be built the coming spring. The company has enough orders on its books to tax its present capacity for a year. Two six per cent. cash dividends have been paid this year.

Underwriting interests are offering \$4,989,000 of Detroit Edison first and refunding mortgage 5% bonds due July 1, 1940. The growth of Detroit Edison is one of the romances of this industrial community. In seven years it has more than trebled its gross earnings, while its net earnings are almost two and three-fourths times the interest charges on all of its mortgage bonds, including the new issue. For the year ending August 31 the company's gross was \$15,537,202 and net \$4,203,261.



Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—EDITOR.

RAILROADS

"Big Four" Income Report

Aug. gross, 1919, \$7,057,218; 1918, \$7,933,327; net aft. tax, \$2,139,139, \$3,330,394; net oper. inc., \$2,090,027, \$3,418,101; 8 mos. gross, \$45,617,373, \$44,319,039; bal. aft. tax, \$8,837,739, \$9,564,793; net oper. inc., \$8,210,572, \$8,577,742.

Burlington Earnings

Aug. gross, 1919, \$15,163,627; 1918, \$14,592,194; net aft. tax, \$4,300,940, \$4,393,126; net oper. inc., \$4,124,553, \$4,133,784; 8 mos. gross, \$96,717,098, \$90,015,509; net aft. tax, \$16,893,740, \$16,300,923; net oper. inc., \$15,235,160, \$15,634,122.

Canadian Pacific Outlook

The decline in the stock of the company to a new low price for the year is attributed to fresh "foreign selling" due to fears as to results of the present Canadian railway policy and doubts as to the stability of the 10% dividend.

During the first five months of 1919 net earnings showed a shrinkage from those of 1918, despite expansion in gross. In recent months, however, the trend of net earnings is again upward and increases are being shown over 1918. For the 7 months ended July 31, net earnings show a decrease of \$1,693,815, or 10% compared with 1918.

The second half year produces much heavier traffic for Canadian Pacific than the first half and much the larger share of the year's earnings. It is reasonable to expect that the decrease in net of the first 7 months will be wiped out and an actual gain over 1918 shown. It is also expected the company's "special income" account will be larger than last year.

Chesapeake & Ohio Earnings

Aug. gross, 1919, \$5,683,518; 1918, \$7,546,976; net aft. tax, \$1,042,886, \$2,896,155; net oper. inc., \$937,756, \$2,852,093; 8 mos. gross, \$47,126,902, \$44,560,790; net aft. tax, \$8,226,311, \$9,276,851; net op. inc., \$7,205,503, \$9,304,231.

Chicago & Alton Shows Deficit

The company reports for the year ended Dec. 31, 1918, deficit after taxes and charges, of \$469,131, against a deficit of \$47,092 in the year 1917.

The Federal operating account of the

company shows net operating income of \$1,776,750 which compares with the Federal compensation of \$3,178,314.

Chicago & Northwestern Ry. Earnings.

Aug. gross, 1919, \$11,736,338; 1918, \$13,334,147; net aft. tax, \$1,617,976, \$2,153,191; net oper. inc., \$1,625,877, \$2,062,532; 8 mos. gross, \$87,608,260, \$78,082,132; net aft. tax, \$8,934,002, \$6,811,478; net oper. inc., \$8,577,964, \$7,389,772.

Illinois Central Re-elects Pres.

C. H. Markham, Regional Director of Railroads in the Allegheny region, has tendered his resignation to the Director General to take effect Oct. 1, and has been re-elected President of the Illinois Central R. R. Co., which position he held when the Government took over the road in Jan., 1918.

Borden's Condensed Milk Co.

Common Stock

We have issued a special circular amplifying the following points:

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Lehigh Valley Earnings

Net railway operating income of the road for the 8 months ended Aug. 31, was \$2,358,326, against \$3,445,792 in 1918, and for the 12 months ended Aug. 31 was \$5,596,347, against Federal rental of \$11,321,233. Net operating income for the year ended Aug. 31, together with \$3,026,425 other income reported for 1918 would give a total of \$8,522,772 to meet charges of \$7,754,824, leaving \$867,948 for stock, or 1.43%.

Gross operating revenue for Aug., 1919, shows the largest decrease for several months in comparison with 1918.

Missouri Pacific Income

Aug. gross, 1919, \$8,608,824; 1918, \$8,507,547; net aft. tax, \$1,475,525, \$2,152,850; net oper. inc., \$1,320,498, \$2,007,483; 8 mos. gross, \$58,390,072, \$56,334,001; net aft. tax, \$3,902,464, \$8,922,138; net oper. inc., \$3,233,401, \$7,858,816.

N. Y. Central Earnings Report

Aug gross, 1919, \$29,525,184; 1918, \$31,102,238; net aft. tax, \$8,057,149, \$7,232,595; net oper. inc., \$8,283,147, \$7,336,669; 8 mos. gross, \$199,523,825, \$180,114,566; net aft. tax, \$30,777,107, \$20,956,278; net oper. inc., \$30,702,610, \$19,381,006.

Northern Pacific Income

August gross, 1919, \$8,553,353; 1918, \$9,804,525; net aft. tax, \$2,130,655, \$3,216,690; net oper. inc., \$2,241,426, \$3,358,750; 8 mos. gross, \$62,803,514, \$60,302,799; net aft. taxes, \$9,391,816, \$11,556,888; net oper. inc., \$10,412,661, \$14,429,446.

St. Paul Earnings

Aug. gross, 1919, \$13,414,257; 1918, \$13,502,611; net aft. tax, \$1,263,209, \$3,070,260; net oper. inc., \$1,142,300, \$3,091,204; 8 mos. gross, \$75,125,159, \$82,190,833; net aft. tax, \$1,226,875, \$3,507,068; net oper. inc., \$160,995, \$3,188,007.

INDUSTRIALS**Allied Packers Listed**

The N. Y. Stock Exchange has admitted to list the temporary certificates for 450,000 shares of the company of no par value.

Amer. Beet Sugar to Start Operations

Company expects to start the new campaign at its Grand Island, Las Animas and Rocky Ford plants immediately. The Oxnard factory in California has been operating 3 weeks.

American Can Cuts Debt

Company has been reducing its outstanding debenture 5% bonds, due Feb. 1, 1928, so that of \$15,000,000 issued in 1913 there is now outstanding only \$10,829,000.

Concurrently with the reduction of bonded indebtedness the company has increased

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its working capital and surplus so that its financial position is exceedingly sound with prospects this healthy growth will continue for some years.

Amer. Sugar Refining Expansion

Company has secured an option on a large new central in the northern part of the Province of Camaguey, Cuba. The central ships through the port of Nuevitas.

This will be a new departure for the company, which has never produced raw sugar.

Exercise of this option would indicate that opinion in the sugar industry believes sugar prices will continue high, assuring good profits indefinitely.

The company is to build an up-to-date refinery, to take the place of the present Brooklyn refinery, which will be scrapped. The expenditure will be \$8,000,000. The new refinery will be as large as the old one, which is the largest in the world.

It is understood the reserve for improvement of plants, \$4,367,514 on Dec. 31, 1918, all in cash and marketable securities, may not be drawn on for construction of this new plant, as funds can be supplied from surplus earnings.

A. G. W. I. Assets and Investments

On the basis of the 1918 report the book value of this stock is \$255 a share. It is stated the company's branching into the petroleum fields promises to be the most im-

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portant new departure it has yet undertaken. The company's investment in its oil business may eventually reach \$15,000,000, of which \$9,000,000 would be for the construction of tank steamers.

The company has this amount of quick resources and its deposition in this manner would afford a solution of the problem of the unwieldy surplus accrued from the prosperity of the war period. It is expected subsidiary companies will be formed to take over Atlantic Gulf's pipe lines, tank ships, refineries and storage terminals. The stocks of these companies will be available for distribution to Atlantic Gulf share owners when excess profits taxation becomes less burdensome.

Beth. Shipbuilding Finishes War Order

When the Fore River plant of the corporation turned out its 36th destroyer it completed its war program, and established a world's record. The expense to the government of the fleet is \$54,000,000, each vessel costing \$1,500,000.

According to present plans no more destroyers are to be built at Fore River.

The "Victory Plant" at Squantum has also been working at top speed. That plant has turned out 30 destroyers since March, 1918, 19 of which were delivered this year.

California Packing's Business

Company's business is estimated at \$75,-

000,000 for the current year. Its entire product was contracted for before the opening of the season, at the opening prices to be fixed by the company. It is having a record pack of fruits, vegetables and salmon. Net current assets are over \$11,000,000, of which almost \$5,000,000 is in cash and Liberty bonds.

Computing-Tab-Rec Co. Earnings.

Earnings of the company for the 8 months ended Aug. 31, 1919, show an increase of 9% over 1918 earnings. This rate of increase is substantial in view of the fact that the post-war expansion of business expected is only beginning to show. Various automatic accounting devices are produced by the company, revenue coming mostly from rental on the machines used in these devices. The result of this is that while orders are advancing rapidly in all departments of the business, net revenue figures wait on rent returns.

The 9% increase is on figures exclusive of foreign business which is now being re-organized.

Corn Prod. Ref. to Sell Plant

Company will continue to operate its Granite City plant until Oct. 1, 1920, at an annual rental of \$1,200,000.

The company has one more plant to sell, National Starch Co. and it is understood negotiations are now under way for its sale to an independent concern.

Crucible Steel Dividend Prospects

From interests close to the Crucible management it has been learned the good news is not all out yet by a great deal, and there is still more than a possibility of a large stock dividend. On the present rate of earnings, said to be in the neighborhood of \$50 a share on the common stock after taxes, Crucible could distribute a stock dividend of from 50% to 100% and still pay \$12 on all the stock. But for the steel strike then imminent it is said directors of the company would have made the quarterly distribution at the last meeting \$4 instead of \$3. Interests prominent in the affairs of the Barrett Co. are directing the dividend policy of Crucible Steel.

Cuba. Cane Gets Good Prices

Corporation has sold considerable new crop sugar at 6.50c a lb. or over, against 5.50c paid by the Sugar Equalization Board for the present crop. With a free market next year, it is considered likely prices for Cuban raw sugar will show large advances. Cuban raws for December delivery are now selling at 7.00c f. o. b. Cuba, with Jan., Feb., and March firm around 6.75 to 6.9c cents.

The corporation will be able to take advantage of the increased demand for Cuban sugars here and abroad. Next year's production is expected to be over 4,500,000 bags, reflecting the expenditures for additional cane lands, acquisition of Stewart estate and improvement to factories.

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General Motors Acquisition

Corporation has acquired the Domestic Engineering Co., according to an announcement by W. C. Durant.

The company acquired, which manufactures the "Delco Light," and farm lighting systems, will be merged with General Motors and operated as a branch under the present management.

The company has an annual production of 30,000 lighting units. Its capital consists of \$1,200,000 common stock, and \$2,300,000 7% cumulative preferred, of which \$2,107,000 was outstanding.

I. M. M. American Line Resumes

The American line of the company, by starting a steamer for Constantinople, resumed operations the first time since the Navy took over its ships for transport service in 1917.

Packard Cuts Dividend

Company has declared a quarterly dividend of 2% on the common stock, payable Nov. 1 to holders of record Oct. 15. Three months ago the disbursement on this issue was raised from 2 to 2½%.

An increase in output and more uniform production will follow the completion of a substantial addition now under construction by the company. Over \$1,750,000 is being invested in the three-story building and its equipment. The addition will be in operation in 6 months.

Assured at present of a continued heavy demand, Packard is building toward a production of 1,000 trucks a month.

Punta Alegre Bonds Being Converted

To date \$845,000 of the first mortg. 6s and \$1,324,800 of the collateral trust 6s, of the company, have been converted into stock. This compares with outstanding issues of \$1,500,000 and \$2,995,200 respectively.

After all the bonds are converted and the new stock is outstanding, the company will have 238,000 shares, all one class. On this the indicated profits are \$13.25 a share.

Stewart-Warner Earnings

Stewart-Warner has a tremendous business this year. Its turnover will be over \$12,000,000, compared with \$9,800,000 in 1918.

The automobile horn, vacuum-feed systems and speedometers are the big lines, though new products, like the searchlight, are running over 100% ahead of 1918. The company will ship this year 1,000,000 vacuum tanks and over 1,200,000 horns.

Net earnings, based on nine months, results and orders in hand should be about \$25 a share against \$15.94 a share in 1918. The tax will not be so heavy this year.

Stewart-Warner has for months financed its business without any borrowing.

Stromberg Carb. to Receive Damages

Company expects to receive between \$500,000 and \$1,000,000 in damages as a re-

sult of its suit against the Zenith Carburetor Co. for infringement of its patent rights. A decision in favor of Stromberg was rendered months ago, and the Court ordered an accounting and the payment of damages by the Zenith company.

Stromberg is doing the greatest business in its history. It is swamped with orders and finds itself unable to fill the immediate demand for its product despite that production is now running at 32,500 carburetors a month. Work is being rushed on the erection of new factory buildings which will double the present capacity and it is estimated before the end of the year close to 50,000 a month will be turned out.

United Fruit Outlook

Company is in a position to benefit from higher sugar prices. Its sugar centrals in Cuba are among the largest on the island. United Fruit's new Revere refinery is understood to have melted twice as much sugar this year as the old refinery. Working capital at a recent date is understood to have been over \$35,000,000, largely in cash and Government bonds.

U. S. Rubber's Prosperity

Company is having its biggest year, with gross and net ahead of the 1918 record. The tire company is doing an extraordinary business. Present indications are for at least \$30 a share after taxes on present \$36,000,000 common share capital.



Howe Sound plant, one of the Whalen group of three mills.

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INVESTMENT SECURITIES
FIRST WISCONSIN
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At the end of June U. S. Rubber had a working capital of \$113,000,000. With the proceeds of the new financing, all of which will not be immediately available as payments may be made up to Jan. 31 next, the company should shortly have a working capital of \$150,000,000 or \$1 of net quick for \$2 of sales in 1920.

V. Vivaudou, Inc., Listed

The N. Y. Stock Exchange has listed 300,000 shares of stock of the company, temporary certificates of no par value.

Willys-Overland Not Hurt By Strike

Little fear is entertained by any hindrance to the production of the company as a result of the steel strike. The company has a 3 months' supply of steel for its various departments, while some departments have a five months' supply.

Output of the Model Four is developing rapidly, the present rate indicating a daily production of 400 cars of this model will be reached in the next two weeks.

PUBLIC UTILITIES

American Rys. Fare Increase

A two-cent fare increase for each zone on the trolley line of the company, between Darby, Chester and Wilmington, is announced effective Oct. 21.

According to an official of the company, the line had a deficit in 1918 despite the increase allowed by the P. S. Commission. In August of this year the trolleyman's pay was increased ten cents an hour, making their wage fifty-five cents.

With this increase there was no alternative except a fare increase.

Amer. Tel. & Tel. Financing

Company has arranged for the sale of \$50,000,000 6% three-year notes to be issued shortly for public subscription. J. P. Morgan & Co. will underwrite the new issue, which will be offered at 99 3/4.

This new financing has been decided upon to provide funds at this time for future needs which are forecast by present abnormal volume of business.

Brooklyn Surface Lines Separated

Judge Mayer in the Federal District Court approved the demand of F. S. Bangs, representing the Brooklyn City R. Co., that the 26 surface lines of Brooklyn, leased to the Brooklyn Heights R. Co., be turned back to the lessor Oct. 1 as Receiver Garrison, of the B. R. T., will be unable to pay the rentals due on the properties. Receiver Garrison said the lines were already showing a monthly deficit of \$50,000.

The surface lines are to be restored to the Brooklyn City company, according to the lease and the expense of the lessee for extensions and improvements made is to

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be adjusted later. The order forecasts a complete reorganization of Brooklyn's principal surface lines in which so-called rival companies operating under separate franchise contracts may abolish transfers and continue on a straight 5¢ fare basis for each line.

Brooklyn Union Gas Strike Fails

The strike of employees of the company, which had been on for over 7 weeks, is over.

Ninety per cent of the strikers are back at work without their union leaders. All the members of the committee lost their jobs, according to an announcement from union headquarters.

The men returned without obtaining their demands for a 30% increase, union recognition and the abolition of a grading system.

N. Y. Rys. Co. Drops More Lines

The order of Federal Judge Mayer, directing the discontinuance of transfers on the Eighth Avenue surface line on Oct. 1 has been filed in the U. S. District Court.

Seventeen crosstown lines of the company, from 145th Street to Canal Street are affected by the order.

Judge Mayer in the Federal District Court has ordered Receiver Hedges of the company to pay semi-annual interest, due on \$1,000,000 bonds of the Thirty-fourth Street Ry. Co., to the Central Union Trust Co. as trustee.

The Guaranty Trust Co. has brought suit in the Federal District Court to foreclose a mortgage on the Broadway & Seventh Ave. R. R. Co., for \$1,500,000. The mortgage was executed in 1883 and the principal was due on June 1, 1904, and never paid.

N. Y. Interborough to Drop Transfers

Company, whose surface lines in the Bronx and Manhattan are operated as a part of the Third Avenue Railway system, has filed with the P. S. Commission proposed amendments to its tariffs, the effect of which will be to eliminate a number of transfer points between the Interborough Rapid Transit Co. and the surface lines of the company.

N. Y. Telephone Strike in the Air

A telephone strike threatens as result of meeting of 500 employees of the company in which tentative plans were made for a strike if it refuses to grant a 25% increase.

Pacific Tel. & Tel. Fights Rate Cut

That the present rates, established by the Wire Control Board for service in California should be continued was the contention made before the Railroad Commission by the company.

The total wage increase of the company during Government control was \$3,610,000, compared with increase in revenue of \$3,388,600.

The Dollar's Buying Power

is today only about half what it was two years ago. It will increase in value when commodity prices become lower.

By purchasing bonds at the present very low levels you really buy future dollars at today's prices.

We have prepared a list of high-class bonds as suggestions for investments which we shall be glad to send you on request.

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A forecast of the net returns for 1919 was placed by the company at 3.69%, compared with 5% in 1918.

Phila. R. T. to Ask Modified Contract

Pres. Mitten says the company soon will ask the city council to modify the contract of 1907 to relieve the company from paying the city \$500,000 a year for street paving and abolish the sinking fund payments of \$10,000 a month.

Commissioner Clements agrees with Mr. Mitten the contract for 1907 is unfair to the company and that the commission has the right to modify it.

Pittsburg Rys. New Fare Results

Testimony to the P. S. Commission shows the company, under the 7½ and 10-cent fare, increased income. Under old five-cent charge daily income averaged \$36,132, and under the latest system, \$47,960. "Even the present fare will show deficit of \$947,000 in 1920," Auditor Meade said, "if \$3,500,000 fixed charges for bond and rental interest and \$1,000,000 wage increase are paid."

United Gas & Electric Earnings

Earnings of subsidiary companies for August and 12 months compare:

August gross, 1919, \$1,691,900; 1918, \$1,484,776; net aft. tax, \$570,847, \$452,185; surp. aft. chg., \$161,824, \$119,414; 12 mos. gross,

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OIL NOTES

Empire Gas & Fuel New Wells

No. 1 well of the company on the Peebles lease in Eastland County, Texas, is showing a production of 1,500 barrels a day with the deep sand barely touched. This well is not far from the great Norwood well of the Texas & Pacific Coal & Oil Co. Wallace well No. 1 of the company in Stevens County has been connected with the pipe lines and is now producing 500 barrels a day from 1,800 feet sand.

The bringing in of these two wells has proved up a large amount of acreage for the company in Eastland and Stevens County, and locations have been made for the immediate drilling of other wells on leases in these two counties.

Empire Pipe Line to Tap Beggs Field

Company, a subsidiary of Cities Service Co., is to start construction of a pipe line from Okmulgee, Okla., into the new Beggs field, and expects to have it completed in record time. The new pipe line will connect the Beggs field with the main pipe line system of the company, and also will furnish oil to the refinery of the Empire Refining Co. at Okmulgee. The oil from the Beggs field is a very high gravity petroleum.

Midwest Refining Production

Company at present has in operation at its Casper, Wyo., plant 53 crude oil stills, which are handling 35,000 barrels of crude oil daily, against 30,000 barrels recently. Six additional stills are under construction and six more are to be built immediately, which will give the Casper plant a capacity of 47,000 barrels of oil daily.

At Greybull, Wyoming, the Midwest's plant consists of 30 crude stills which are running 10,000 barrels daily. This makes the total present crude run of the Midwest 45,000 barrels a day.

Company has completed a well in Section 25 in the Lance Field, Wyoming, with an initial production of 1,000 barrels of oil a day.

Petroleum Corp. of America Acreage

Corporation and allied companies will have possibly 700,000 acres in Col., Kan., Okla., Texas, Cal., Louisiana, Wyo., and New Mex., which will place them among the large holders of oil lands in the U. S.

It is stated by a source close to the company that only American capital is interested.

Philadelphia Oil Earnings

Company, the oil-producing subsidiary of Philadelphia Co. for the 8 months to Aug. 31 reports gross earnings of \$784,575, an increase of \$248,422 over the same period of 1918. Net after taxes was \$660,218, an increase of \$254,624.

Net earnings of the oil company are at the rate of \$1,000,000 annually. This is over 2% on the common stock of the parent company.

While the oil business is at present only a small part of the activities of the Philadelphia Co. system, further extensions in this field are planned by officials of the company.

Pierce Oil Income Statement

The income statement of the company for six months ended June 30, 1919, shows: Trading profits, \$2,538,014; other income, \$42,963; total income, \$2,580,977; depletion, etc., \$693,701; balance, \$1,887,276; interest, \$434,761; net income, \$1,452,515.

* Exclusive of Federal taxes.

Company has completed an important negotiation with the British Motor Spirit Syndicate, Ltd., according to advices from London.

It will supply the British company under this arrangement a minimum of 12,000,000 gallons of gasoline a year and has agreed to subscribe for cash to the majority of the new company's \$1,000,000 capital.

Riverside Eastern Pays Off Pfd.

Preferred stock of the company and the preferred stock of the Riverside Western Oil Co. were paid off at par on Sept. 30 to holders of record Sept. 26, when the preferred stock books of the companies closed permanently.

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FINANCIAL NEWS AND COMMENT

Sinclair Cons. Balance Sheet

The initial balance sheet of the corporation, including assets and liabilities of constituent and subsidiary companies, as of June 30, 1919:

Assets—	
Real estate, oil wells, eqpt. etc.	\$178,724,003
Invest. in and adv. to affiliated Cos.	761,405
Specific funds	55,805
Cash	9,615,643
Notes receivable	187,212
Accts. receivable	9,096,498
Inventories	15,594,966
Marketable secur.	227,117
Deferred charges	2,500,507

Total\$216,763,156

Liabilities—	
Capital (paid-in to constituent cos.)	\$135,900,813
Earned surp., constit. and subs. cos.	*14,765,312
Capital surplus	5,482,119
Minority interests in capital and surp. of sub. cos.	294,911
Deprec. and amort.	23,163,257
Sundry conting.	621,918
Funded debt	6,233,796
Oil and gas inc. ctf. of Exchange Oil Co.	2,384,577
Notes payable	18,729,303
Accts. payable	6,699,434

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Accd. taxes, int., and misc. items	1,591,122
Suspended earnings & unadj. accts.	896,594

Total\$216,763,156

*Subject to depreciation, depletion, amortization, and taxes for the half year ended June 30, 1919.

S. O. of Louisiana's New Big Well

Company has brought in its second 2,100-foot well in the Homer field in North Louisiana, the new well being rated at 20,000 barrels daily, but like the first big well is pinched in to 1,100 barrels until the pipe line from Shreveport is completed.

Vacuum Oil Earnings

Annual statement of the company for the year ended Dec. 31, 1918, states it has been deemed advisable by directors that in addition to the usual reserves for insurance and tax, a substantial charge should be made covering losses on investments in Russia, and amortization of plant equipment installed after April 6, 1917, so the assets of the company shall be carried on a conservative basis.

The sum charged to profit and loss against the year's transactions amounted to \$6,064,337, of which \$584,115 represented insurance and tax reserve. With these deductions net profits for the year were \$4,911,851.

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Bond Department

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equal to \$32.67 on the \$15,000,000 stock compared with \$62.16 a share in 1917 and \$61.47 a share in 1916.

Before charging out losses on investments in Russia, and amortization of plant equipment, Vacuum Oil Co.'s net earnings in 1918 were \$10,392,073 or \$69.28 a share against \$62.16 a share in 1917.

MINING NOTES

Amer. Smelting Annual Report

Pres. Guggenheim, in his remarks to stockholders says:

"The directors felt justified in making payments of common dividends from the accumulated surplus. There is a deficit, therefore, for the period of \$1,195,463.

"This is due to a number of factors. With the cessation of the war demand for metals, many mines closed, and those producing reduced their output 40% to 50%. Reduction in the company's business followed.

"Wages have continued to increase in the six months covered by this report.

"On Dec. 31, 1918, the increased treatment charges secured on long-time contracts entered into on the pre-war basis of our costs, terminated, and shipments under these contracts have imposed an onerous burden upon the company. Negotiations are again being conducted for increased treatment charges."

Construction of the 600-ton cyanide plant for the treatment of ores by the company, at Minas Nuevas, in the Parral district, Chihuahua, has been resumed. Building of the plant was started early this year, but shipment of machinery was interrupted 4 months ago by a raid by Villa.

Braden Copper Mines Deficit

Profit and loss account of the company and the Braden Copper Co., for the six months ended June 30, 1919, shows:

Copper sales \$977,848; oper. costs, exp., dep., etc., \$1,222,789; operating loss, \$244,941; other income, \$302,433; total income, \$57,512; taxes, etc., \$48,004; net income, \$9,508; interest received, \$822,234; balance \$831,742; interest, \$1,370,322; deficit for period, \$538,580; previous surplus, \$5,036,540; P. & L. surp. June 30, 1919, \$4,497,960.

Cal. & Hecla to Insure Workers

Company and 10 subsidiaries announce they will provide a blanket life insurance policy on the life of every employee of from \$1,000 to \$1,500, without cost. This is one of the largest life insurance contracts ever made, totaling over \$10,000,000.

Cerro de Pasco Outlook

Company's copper continues to show a high silver and gold content. Even at \$1 an ounce, it is estimated profits this year from silver alone ought to exceed dividend requirements.

Chile Copper Production

Company produced 8,994,210 lbs. of copper in Aug., 1919, against 7,161,444 lbs. in July.

Isle Royale's Unsold Copper

Company is in a more liquid condition as regards unsold metal than any of the Calumet & Hecla group. Its sales of copper are becoming infrequent, yet it has not received under 24c per lb. The company will finish September with not over 5,000,000 lbs. on hand.

From present indications, Isle Royale will show a production for Sept. of 1,300,000 lbs., or 250,000 lbs. more than in August. The grade of rock is around 18 lbs. copper per ton.

Including the last wage advance of 15%, Isle Royale is making its copper for under 16c per lb. This includes no reserve for taxes. The company is carrying its present unsold copper at cost on which it stands to make a good profit.

Mother Lode of Alaska Dissolution

Thus far, 80% of the stockholders of the company have approved the distribution of the company's assets and the dissolution of the corporation at the special meeting to be held in Seattle, Sept. 30.

The exchange of one share of the new company, Mother Lode Coalition Mines,

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for 1.63 shares of Mother Lode Copper Mines Co. of Alaska, as called for in the agreement of sale, only applies to the last named company's outstanding stock of \$10 par value.

Pond Creek Coal's Oil Outlook

Company interests admit the activity in the shares is due to the belief that it is only a question of time before oil is struck on the company's extensive acreage.

They are also optimistic on the possibilities of the property as a coal proposition. The report that oil has been discovered on Pond Creek acreage is erroneous. The company has arranged to drill for oil on its own property in an effort to determine its value for this purpose.

U. S. Smelting Raises Dividend

Company has declared a quarterly dividend of \$1.30 a share on the common stock, an increase of 25 cents a share quarterly over the previous rate, payable Oct. 15 to stock of record Oct. 4.

Directors of the company have given out the following statement:

"The consolidated earnings in the first 9 months in 1919 will show \$5,161,815, from which are to be deducted \$1,319,762 for depreciation, depletion, Federal taxes on last year's income and the marking down of metals, leaving a net profit of \$3,842,053.

"This is at the rate after pret. dividends, of \$7.31 per share for the common stock or at the yearly rate of \$9.74 per share.

"The estimated earnings for July, Aug. and Sept., after depreciation, depletion, Federal taxes on last year's income, marking down of metals and the pref. dividend, will show slightly over \$4 per share earned on the common stock, or at the rate of \$16 per share per annum. Prospects for earnings for the next quarter are encouraging.

"Additional profits have been made during the year by the sale of securities owned by the company which are not included in the above statement."

UNLISTED INDUSTRIALS

Amer. Chicle Sells Notes

Company has sold to a syndicate headed by Hornblower & Weeks, \$2,500,000 6% serial notes and the bankers will make a public offering of the issue in the near future.

The proceeds of the sale are for the erection of a new plant at Long Island City. Associated with Hornblower & Weeks in the syndicate are: Bankers Trust Co., Halsey, Stuart & Co., and Hayden, Miller & Co.

Amer. For. Securities Recapitalization

Company has reduced its outstanding stock to \$500,000, of 5,000 shares, par \$100, and the Voting Trustees now hold certificates of stock equal to 5% of their former

Bucyrus Co., common
 Butterworth-Judson Co., common
 Carbon Steel, 2nd Pfd.
 Eastern Steel
 Fisk Rubber 1st & 2nd Pfd
 Invincible Oil
 Columbia Graphophone
 Spicer Mfg. Co.
 Mexican Tel. Co.
 Louisiana Oil Ref. stock & 6's 1927
 Lamson-Hubbard Canadian Co., Ltd.
 Amer. Gas & Elec., com. & pfd.
 Stand. Gas & Elec., com. & pfd.
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holdings, and cash equal to the par value of the shares retired.

Holders of the Trust Certificates of the Voting Trustees are notified that upon surrender of these, properly endorsed, to the Voting Trustees, J. P. Morgan & Co., on Oct. 1, they will receive Voting Trust Certificates equal to 5%, and cash equal to the par value of the shares represented by the surrendered certificates.

Amer. Safety Razor Buys Property

Company has purchased six parcels of land at Johnson and Jay Streets, Brooklyn, and is erecting a large building on this corner, for manufacturing purposes.

Revenue stamps affixed indicated a value of \$307,000.

Amer. Ship Building Net

For the year ended June 30, 1919, the company shows surplus after charges and taxes of \$3,784,433, equal after pref. dividends to \$42.52 a share on the \$7,600,000 common stock, compared with \$102.75 a share in the preceding year.

Bethlehem Motors Foreign Order

Corporation has closed a contract for shipment of Bethlehem trucks to England which contemplates the delivery of over 25 trucks a week, totaling 4,200 machines of various capacities and amounts. This represents over \$10,000,000 of business and calls for an increase in the production program. Shipments have already started.

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Columbia Graph's Canadian Expansion

Company has purchased the plant of the Canadian Aeroplane Co., Ltd., at Toronto, for \$600,000 cash. The plant, which covers 13 acres, and has 233,000 sq. ft. of floor space, is one of the most modern manufacturing plants in the Dominion.

When full operations are reached, 3,000 hands will be employed. The company is going into Canada on a large scale, to develop the demand for its products. Officials expect in the next 5 years the company's Canadian business will have increased over 300%.

Business continues to come in in large quantities, and at present the company has \$12,000,000 worth of unfiled orders on its books.

Emerson Phonograph's New Records

Emerson phonograph sales for Sept., \$328,000. Output Oct. 1, running about \$250,000 per month, both figures being new high records. The industry is in phenomenal shape, demand for phonographs and records exceeding supply with all manufacturers. Emerson record output, 34,000 daily.

Ford Motor to Build Body Plant

A plant on the River Rouge, to have a producing capacity of 1,500 bodies daily and employment for 12,500 men, is planned by the company, according to an announcement by Supt. Riadas, of the body plant.

"Mr. Ford's plans for the River Rouge district are the biggest yet," said Mr. Riadas. "We have set a mark of 1,000,000 automobiles this year, and will do it."

Lee Tire Dividend Prospects

Resumption of dividends by the company is a possibility in a few months.

At the rate of progress for the first nine months of the year, the company should earn \$375,000 net, after all taxes and special reserves. On the 100,000 shares of common this would equal \$.75 a share.

The only obstacle in the way of common dividends is a floating debt of \$1,000,000, which is an item which directors would prefer materially to reduce before resuming cash distributions.

Submarine Boat Records

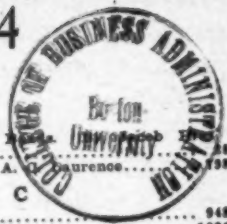
President Carse, of the corporation, says: "We launched the past fifteen months at Newark Bay Shipyard 75 ships and delivered 65 completely finished. This is a world record. We are now producing more tonnage per man than any shipyard in the world, and if our plans are not further disturbed will in 1920 exceed the record of the past twelve months."

MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones. 20 Inds.	Avg. 20 Rails	—50 Stocks—		Sales
				High	Low	
Monday, Sept. 22.....	74.65	106.30	79.40	88.19	86.88	745,230
Tuesday, Sept. 23.....	74.67	106.89	79.53	88.86	87.41	1,007,673
Wednesday, Sept. 24.....	74.63	106.83	79.60	89.39	88.05	1,055,184
Thursday, Sept. 25.....	74.72	107.30	79.25	89.22	87.97	822,439
Friday, Sept. 26.....	74.85	108.66	79.69	90.37	88.73	916,706
Saturday, Sept. 27.....	74.92	110.06	80.11	91.29	90.16	741,919
Monday, Sept. 29.....	74.80	110.32	80.22	92.37	90.28	1,371,594
Tuesday, Sept. 30.....	74.96	111.42	80.62	93.53	91.42	1,453,920
Wednesday, Oct. 1.....	75.04	111.12	81.97	94.53	92.17	1,531,290
Thursday, Oct. 2.....	75.13	111.19	81.51	93.89	91.84	1,337,525
Friday, Oct. 3.....	75.27	108.90	80.95	93.22	91.07	1,327,925
Saturday, Oct. 4.....	75.36	110.26	82.06	93.03	91.17	474,875
Monday, Oct. 6.....	75.49	111.04	82.48	95.11	93.40	1,308,300
Tuesday, Oct. 7.....	75.77	112.55	82.23	95.30	93.86	1,390,485
Wednesday, Oct. 8.....	76.01	113.55	82.04	95.34	93.71	1,500,217
Thursday, Oct. 9.....	76.06	113.40	81.70	94.53	92.17	1,396,980

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